EXHIBIT 1

ORIGINAL

IN THE UNITED STATES DISTRICT COURT

DISTRICT OF DELAWARE

---------------------------------------X

DYSON TECHNOLOGY LIMITED and DYSON, INC.,

Plaintiffs,

vs. Case No. 05-434 (GMS)

MAYTAG CORPORATION,

Defendant.

---------------------------------------X

Videotape Deposition of

RUSSELL H. BOYER, JR.

Thursday, November 9, 2006

8:08 a.m.

Taken at:

Renner Kenner Greive Boback Taylor & Weber LPA

400 First National Tower

Akron, Ohio

Denise M. Munguia, RMR, CRR, CLR

David Feldman Worldwide

From File to Trial.

805 Third Avenue, 8th Floor
New York, NY 10022
(800) 642-1099

600 Anton Boulevard, 11th Floor
Costa Mesa, CA 92626
(866) DFW-1380

THE NEXT NINE PAGES ARE REDACTED IN THEIR ENTIRETY

C E R T I F I C A T E

The State of Ohio,)

SS:

County of Cuyahoga.)

I, Denise M. Munguia, RMR, CRR, a Notary Public within and for the State of Ohio, duly commissioned and qualified, do hereby certify that the within named witness, RUSSELL H. BOYER, JR., was by me first duly sworn to testify the truth, the whole truth and nothing but the truth in the cause aforesaid; that the testimony then given by the above-referenced witness was by me reduced to stenotypy in the presence of said witness; afterwards transcribed, and that the foregoing is a true and correct transcription of the testimony so given by the above-referenced witness.

I do further certify that this deposition was taken at the time and place in the foregoing caption specified and was completed without adjournment.

I do further certify that I am not a relative, counsel or attorney for either party, or otherwise interested in the event of this action.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal of office at Cleveland, Ohio, on this 10th day of November, 2006.

Denise M. Munguia

Denise M. Munguia, Notary Public
Within and for the State of Ohio

My commission expires May 23, 2010.

C E R T I F I C A T E

The State of Ohio,)

SS:

County of Cuyahoga.)

I, Denise M. Munguia, RMR, CRR, a Notary Public within and for the State of Ohio, duly commissioned and qualified, do hereby certify that the within named witness, RUSSELL H. BOYER, JR., was by me first duly sworn to testify the truth, the whole truth and nothing but the truth in the cause aforesaid; that the testimony then given by the above-referenced witness was by me reduced to stenotypy in the presence of said witness; afterwards transcribed, and that the foregoing is a true and correct transcription of the testimony so given by the above-referenced witness.

I do further certify that this deposition was taken at the time and place in the foregoing caption specified and was completed without adjournment.

THIS PAGE REDACTED

IN ITS ENTIRETY

THIS PAGE REDACTED

IN ITS ENTIRETY

EXHIBIT 2

COPY

HIGHLY CONFIDENTIAL

HIGHLY CONFIDENTIAL

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

- x

DYSON TECHNOLOGY LIMITED and DYSON, INC.,

Plaintiffs,

-against-

Civil Action No. 05-434-GMS

MAYTAG CORPORATION,

Defendant.

- x

November 8, 2006
9:18 a.m.

Continued deposition of JAMES DYSON, taken by Defendant, pursuant to Adjournment, held at the offices of Manatt Phelps & Phillips, LLP, 7 Times Square, New York, New York, before Joseph R. Danyo, a Shorthand Reporter and Notary Public within and for the State of New York.

THE NEXT EIGHT PAGES ARE REDACTED IN THEIR ENTIRETY

Dyson - Highly Confidential

5:27 p.m. This ends tape number five of the videotaped deposition of Mr. James Dyson.

(Time noted: 5:27 p.m.)

____

JAMES DYSON

Subscribed and sworn to before me

this _____ day of ___________, 2006.

____

Notary Public

C E R T I F I C A T E

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

I, JOSEPH R. DANYO, a Shorthand Reporter and Notary Public within and for the State of New York, do hereby certify:

That I reported the proceedings in the within entitled matter, and that the within transcript is a true record of such proceedings.

I further certify that I am not related, by blood or marriage, to any of the parties in this matter and that I am in no way interested in the outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my hand this 9th day of November, 2006.

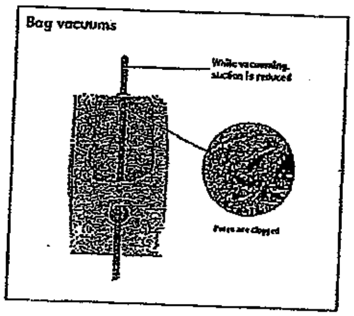
Joseph R. Danyo
JOSEPH R. DANYO

THIS PAGE REDACTED

IN ITS ENTIRETY

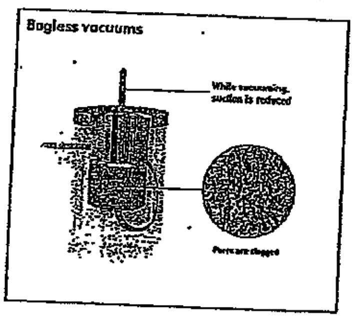
11528_BEST_BUY_UPRIGHT_BR_ p8 1/12/04 11:48 AM Page 8

What's wrong with other vacuums?



They lose suction

Traditional bag and bagless machines rely on a bag or filter to hold back dust. The small pores in the bag and filter should let air pass through while blocking the dirt and dust. But as soon as you use the vacuum cleaner, the pores in the bag or filter start to clog. This blocks the airflow so suction can drop rapidly.



DYS010200

DYS010236

DYS010237

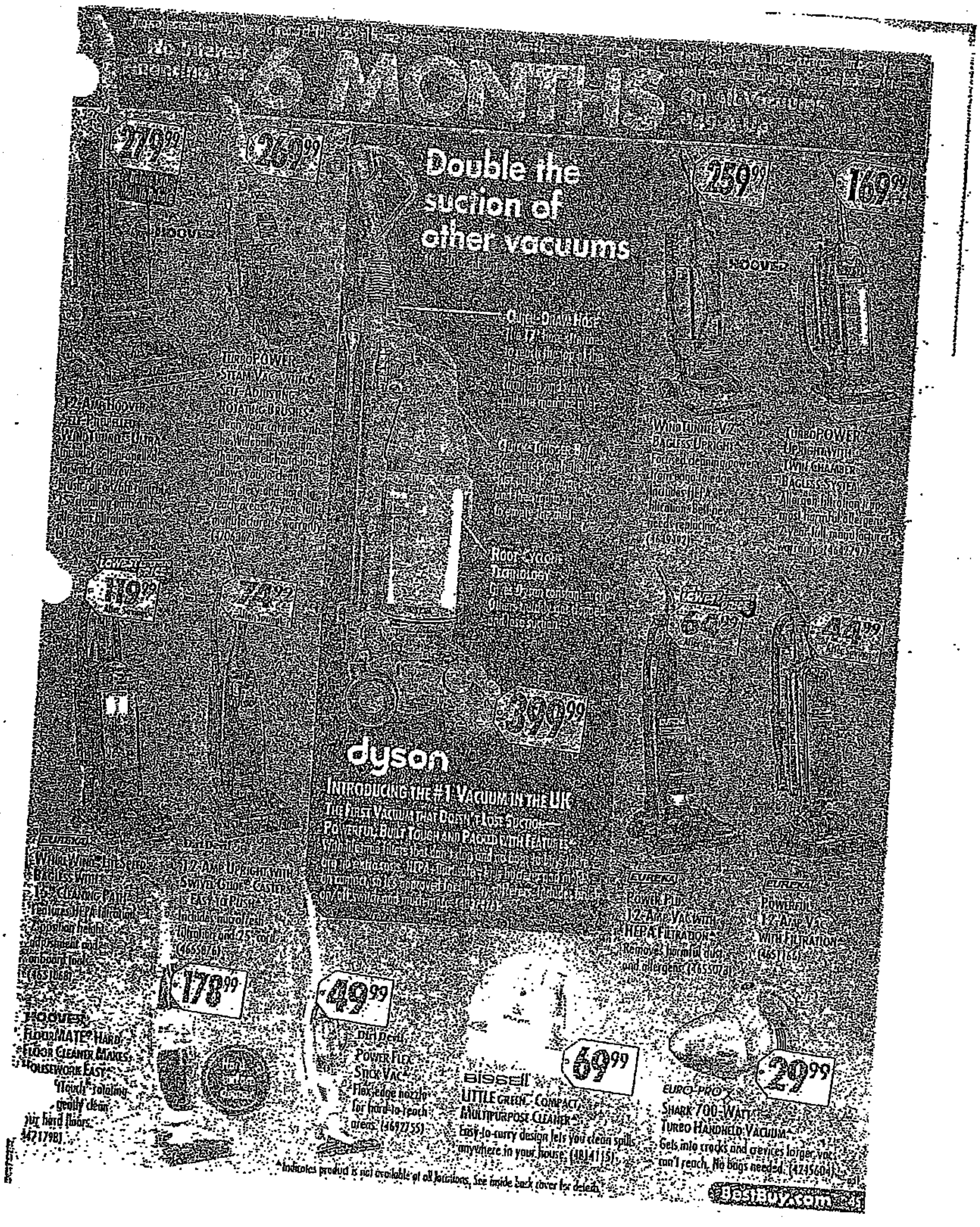
"I was so frustrated with my old vacuum cleaner – it quickly clogged with dust, destroying the suction. So I set about developing an entirely new one to solve this problem.

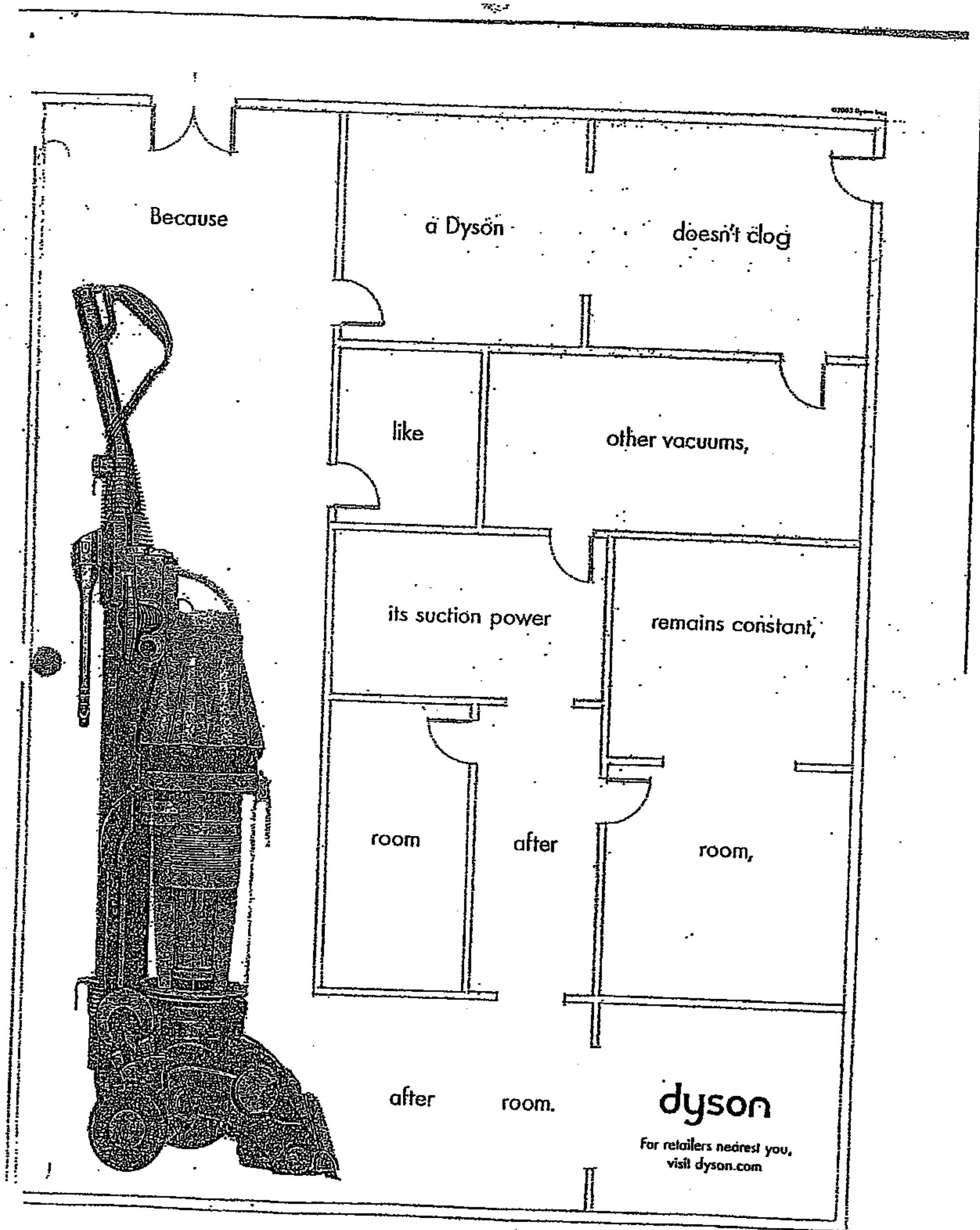
More than 5,000 prototypes later I had it – the first vacuum cleaner that doesn't lose suction."

James Dyson

JAMES DYSON
Inventor of cyclone vacuum technology

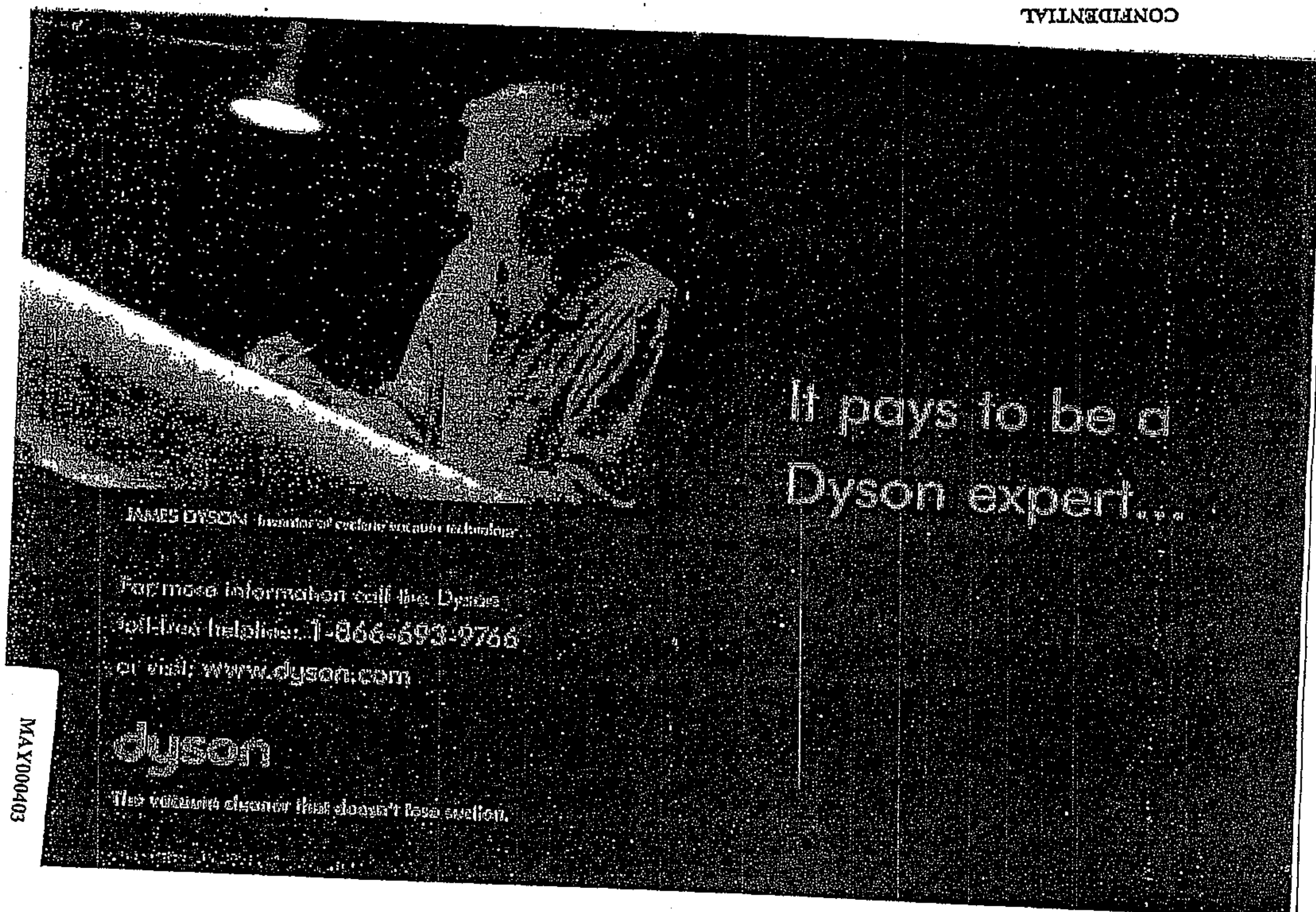
THE NEXT SIX PAGES ARE REDACTED IN THEIR ENTIRETY


6 MONTHS
$279.99
$269.99
Double the suction of other vacuums
$259.99
$169.99
Quiet-Draw Hose
WindTunnel V2 Bagless Upright
TurboPOWER Upright with Twin Chamber Bagless System
Root Cyclone
$399.99
dyson
Introducing the #1 Vacuum in the UK
Powerful, Built Tough and Packed with Features
Eureka
12-Amp Upright with Swivel Glide Casters
Includes microfresh filtration and 25' cord (4655876)
Power Plus 12-Amp Vac with HEPA Filtration
Removes harmful dust and allergens (4655078)
Powerful 12-Amp Vac with Filtration
$178.99
$49.99
Hoover
FloorMATE Hard Floor Cleaner Makes Housework Easy
Power Flex Stick Vac
Flex-edge nozzle for hard-to-reach areas. (4692755)
$69.99
Bissell
Little Green Compact Multipurpose Cleaner
Easy-to-carry design lets you clean spills anywhere in your house. (4814115)
$29.99
Euro-Pro
Shark 700-Watt Turbo Handheld Vacuum
Gets into cracks and crevices larger vacs can't reach. No bags needed. (4245604)
Indicates product is not available at all locations. See inside back cover for details.
BestBuy.com



10/03 elle decor magazine

CONFIDENTIAL



MAY000403

MAY000403

DYS010237

"I was so frustrated with my old vacuum cleaner – it quickly clogged with dust, destroying the suction. So I set about developing an entirely new one to solve this problem.

More than 5,000 prototypes later I had it – the first vacuum cleaner that doesn't lose suction."

James Dyson

JAMES DYSON
Inventor of cyclone vacuum technology

EXHIBIT 3

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELEWARE

COPY

DYSON TECHNOLOGY LTD. and)
DYSON, INC.,)
)
Plaintiffs,)
)
vs.)
) CIVIL NO.
) 05-434-GMS
)
MAYTAG CORPORATION,)
)
)
Defendant)

DEPOSITION OF
JAMES WIDDOWSON

November 10, 2006

Taken at:
Calcot Manor
Gloucestershire, UK
GL8 8YJ

REPORTED BY: LINDA POTYOK, OFFICIAL COURT REPORTER

Q. Any others?

A. There was the occasional laboratory used by the -- that's not working for Dyson though is it, no. I think there has been an ad hoc test conducted because I don't think any of these facilities have the capability to conduct sound testing so there is another lab I believe we've used for sound testing and then there is labs that have done testing through the Alge(phonetic) Foundation.

Q. Are you familiar with the Dyson vacuum cleaners that are sold in the United States?

MS FEDER: Objection to the form of the question.

A. I am generally familiar with our vacuums.

MR ROTHSTEIN:

Q. When did Dyson begin selling vacuum cleaners in the United States?

A. I can't remember the exact month, I believe the launch was in late 2002.

Q. What model was first introduced to the United States?

A. The DC07 was first introduced. I can't remember the exact variant of DC07.

Q. When you say "exact variant of DC07" can you tell me what you mean by that?

A. Basically which colourway, whether it was a steel/yellow colour or whether it was one of the other

THE NEXT SEVENTEEN PAGES ARE REDACTED IN THEIR ENTIRETY

Certificate OF COURT REPORTER

I, LINDA POTYOK, an Accredited Court Reporter with European Deposition Services, London, England, hereby certify that the testimony of the witness JAMES WIDDOWSON in the foregoing transcript, numbered pages 1 to 234, taken on Friday, 10th November, 2006 was recorded by me in machine shorthand and was thereafter transcribed by me; and that the foregoing transcript is a true and accurate verbatim record of the said testimony.

I further certify that I am not a relative, employee, counsel or financially involved with any of the parties to the within cause, nor am I an employee or relative of any counsel for the parties, nor am I in any way interested in the outcome of the within cause.

Signed: ....

LINDA POTYOK

Dated ....

EXHIBIT 4

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

ORIGINAL

DYSON TECHNOLOGY LTD. and)
DYSON, INC.,)
)
Plaintiffs,)
)
vs.) Civil No. 05-434-GMS
)
MAYTAG CORPORATION,)
)
Defendant.)

VIDEOTAPED DEPOSITION OF RALPH F. HAKE
New York, New York
Friday, December 8, 2006

Reported by:
KATHY S. KLEPFER, CSR, RMR, RPR, CRR, CLR
JOB NO. 9712

THE NEXT SIXTY-TWO PAGES ARE REDACTED IN THEIR ENTIRETY

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

DYSON TECHNOLOGY LTD. and)
DYSON, INC.,)
)
Plaintiffs,)
)
vs.) Civil No. 05-434-GMS
)
MAYTAG CORPORATION,)
)
Defendant.)

VIDEOTAPED DEPOSITION OF RALPH F. HAKE
New York, New York
Friday, December 8, 2006

Reported by:
KATHY S. KLEPFER, CSR, RMR, RPR, CRR, CLR
JOB NO. 9712

FINAL TRANSCRIPT

CCBNStreetEvents℠

Event Transcript

MYG - Q1 2003 Maytag Earnings Conference Call

Event Date/Time: Apr. 16. 2003 / 8:30AM ET
Event Duration: 51 min

OVERVIEW

MYG reported 1Q03 EPS of $0.44, including $0.08 restructuring charge for closing company's manufacturing plant in Galesburg, IL. During 2Q03, MYG will reduce headcount by 500 salaried jobs, or 8%. Q&A Focus: Hoover, retailer mix, share gains.

Δ π EXHIBIT 2
Deponent HAKE
Date 12-8-06 Rptr. KK
WWW.DEPOBOOK.COM

FINAL TRANSCRIPT

MYG - Q1 2003 Maytag Earnings Conference Call

CORPORATE PARTICIPANTS

Ralph Hake
Maytag Corporation - Chairman, CEO

Steven Wood
Maytag Corporation - CFO, Executive Vice President

CONFERENCE CALL PARTICIPANTS

Alyssa Kaufman
Credit Suisse First Boston - Analyst

Eric Bosshard
Midwest Research - Analyst

Samuel Darkatsh
Raymond James - Analyst

David McGregor
Longbow Research - Analyst

Laura Champine
Morgan Keegan - Analyst

Frank Denew
Adage Capital - Analyst

Nicole Parent
Bank of America Securities - Analyst

PRESENTATION

Operator

Welcome to Maytag Corporation first quarter 2003 sales and earnings conference call. Maytag's Chairman and CEO, Ralph Hake, will share his perspective. Then Chief Financial Officer, Steve Wood, will discuss financial results.

During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in the question-and-answer session. At that time, if you have a question, you will need to press the 1 followed by the 4 on your push button phone. As a reminder, this conference is being record Wednesday, April 16, 2003. Additionally, you are reminded that today's call may include forward-looking statements. So please, refer to the cautions that are published in Maytag's financial statements and news releases.

A reconciliation of the differences between any non-GAAP financial measure used in this presentation for the most comparable GAAP measure can be found at Maytag's website at www.maytagcorp.com under "Corporate News Center, CEO Presentations". I would now like to turn the conference over to Ralph Hake, Maytag's Chairman and CEO. Please go ahead.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Thank you. Good morning. Thank you all for joining us today. I hope you've seen our press release, which outlines our results for the first quarter. Let me start with the bottom line.

In our January conference call, we communicated a first quarter earnings expectation of 70 cents per share, excluding restructuring charges. We tempered that expectation during our last investor communication on March 11. Today's results came in with reported earnings of 44 cents a share, which includes 8 cents per share of restructuring charge for the Gailsburg plant closure. Making more meaningful comparison with the guidance we gave you in January, you should compare 52 cents a share with the guidance of 70 cents a share. Both of these figures exclude restructuring charges.

For year-over-year quarterly results, compared to prior year earnings of 75 cents, which excludes 2 cents per share for discontinued operations, and we are down about 31%, well below our expectation. Obviously, these results are disappointing to our shareholders, to me, and to all Maytag employees. What went wrong? This morning, I would like to answer that question, as well as tell you what we're going to do to improve our performance and outline what it means for the balance of the year.

First of all, our sales were $80 million less than we expected this quarter. We expected to grow sales about 3 to 5%, and sales actually fell 3 1/2%. This lack of growth was the key driver. Secondly, our floor care mix, that is product above the $99 price point compared to low price point units, deteriorated substantially in our Hoover business. Low-price product did not sell well and high-price point product sales declined disproportionately. The industry environment was part, but only part, of the problem.

Through February, the latest information we have, floor care unit sales ,were down 6%, and core five major appliance sales were down 1.8%. Originally, we had told you we expected appliances would be flat to up slightly in the first quarter, and floor care sales would grow about 3%. The trends are also different. Major appliances were weak in January, but up in March, and floor care remained weak throughout the quarter. Obviously, given the economic environment and the negative trend in consumer confidence within the quarter, these assumptions were too optimistic.

We had also expected to gain share in the first quarter in both floor care and major appliances. In fact, our market share in units was up from the fourth quarter in both categories, but not to the extent that we had planned. Do not misunderstand, though; I am not here today to rationalize our more than 30% drop in operating profit or to blame it on the industry elevator. We did not execute as well as we should have in the market, and we should have done more to reduce our costs and mitigate the impact of the soft industry conditions.

Both floor care and major appliances contributed to the disappointment, but the short fall in floor care was disproportionate. Offsetting some of our problems were profit improvements in our international business, our service business, and Dixie-Narco, which all had good top and bottom line performance. Let me explain what happened in floor care and then major appliances. Our floor care business is highly concentrated in sales at mass retail. The general mix trend has been toward lower-price point products, that is, products priced below the $79 price point. Our Hoover business has largely been at price points above $99.

At these price points, the Hoover name, and our edge in performance and innovation earns us better margins than at lower price points. This market strategy has been quite successful for Hoover. And through next --well, last year, our new model instructions and our R&D in capital resources had been focused on these segments, as well as all new products like the Hoover Floor Mate. The absence on Hoover's part of competitive product at lower prices had been a concern, but a manageable issue.

In the first quarter, however, this turned dramatically against us. Low price point sales spiked, and sales of our higher end products fell. This occurred because of consumer choice, but also because of the products retailers chose to promote. The shift in both volume and mix caused Hoover's profits to fall sharply, accounting for the majority of our earnings shortfall in home appliances. In addition, our major appliance business did not perform well. Sales were below last year and our expectations, and we did not hit all of our cost reduction targets in the quarter. We also experienced unanticipated cost increases in fuel surcharges, resins, driven by energy, and product rework resulting from two voluntary recalls in the quarter.

One rework involved a delayed ignition in the upper oven of a gas Gemini range, and the other was a small unit recall related to a electrical problem on the Kenmore Elite Trio refrigerator. Together, these recalls resulted in 3.5 million of out of pocket expenses in the quarter. Problems were not wide spread in either case, but we acted promptly and took care of the issues. As we discussed -- excuse me, as we developed our 2003 plans, we had anticipated substantial cost increases in pension and post-retirement benefits, steel and healthcare, which were previously communicated to you.

Likewise, we knew that overcoming these increases would require an aggressive cost reduction effort, which I also discussed in our January conference call. Knowing the challenges in the first quarter, we had also planned to defer some of our first quarter advertising spend. Our decision was made based upon both our product launch schedule and the known first quarter cost increases. This would also ensure strong advertising support for our second half product launches.

That decision reduced first quarter expenses by about $12 million, even though we expect our full year advertising budget to be about flat. Along with these actions on cost, we expected to grow sales. When sales did not grow, our downside leverage was substantial. The next and perhaps most important question is, what are we doing about it? We will take several actions at Hoover to reposition product at lower price points now including below the $79 price point, beginning in the second quarter. We will introduce an all-new low cost design upright cleaner, which is targeted to compete at these low price points. And this will help our unit and sales volumes.

A second and even more cost-effective Hoover branded upright will be introduced later in the year, also at low price points. Our second strategy is to diversify our revenues outside of upright vacuum cleaners under the Hoover brand name. The creation of the Hoover Floor Mate bare floor cleaner was one successful execution of this, and our introduction of the Hoover Silent Air Ionic Cleaner, which was just introduced, was a second. The Hoover Bagless Canister, introduced this month, was a third; and two more products outside the upright vacuum cleaner category are scheduled for later this year.

All of these products are targeted to create additional high margin revenue streams. At this point, it is not clear if the general tendency to consumers to purchase lower price products will remain at first quarter levels or decline further. With what we know today, we are not betting on a full recovery within floor care and we are lowering our expectations accordingly. In major appliances, our product position is reasonably strong and will improve. We do need to better leverage our new products into the anticipated growth. I am still confident that this will come, but it has been slower than I expected.

Let me also remind you that one of the most significant cost reduction initiatives to date, the closure of our Gailsburg, Illinois refrigeration plant, is on track for scheduled completion by the end of the 2004. We are also on plan to begin production of a newly designed side-by-side refrigerators at our Amana plant and on March 25, we broke ground to begin construction of the new refrigeration plant in Renosa, Mexico. That plant will begin operation in mid-2004. As you recall, the changes we will be making over the next two years will enable us to produce refrigerators more economically and profitably, with a cost savings of at least $35 million annually when the plant is fully implemented. I do want to highlight an element of good news in the quarter.

Our commercial segment was up 6.4% as a result of strong sales within Dixie-Narco, as well as its ability to continue to diversify its business by refurbishing old vendors, selling coin changers, and launching new products. This growth was accomplished within a declining industry environment, where volumes were down 10 to 15% for the quarter. In this or any other environment, it is imperative that Maytag execute its business strategy to leverage power of preferred brand with innovative products. During the January call, I mentioned that Maytag had an aggressive product launch schedule in 2003, a schedule designed to drive future revenue in both new and existing product categories. This schedule continues in full swing.

Several of these launches have now been introduced to our trade partners and promise to have a significant impact on future performance. Let me spend a few minutes on those that count most. Among the products introduced at the kitchen and bath show last week was our new Neptune top-loading high efficiency washer, the Maytag NeptuneTL. The front load washer category is now becoming a bit crowded, as our first generation Neptune is five years old. While the front loading is a growing segment with as much as 11% of the washer market today, what consumers really want is great stain removal, great capacity, a wash action that gentle on clothes, great water and energy usage, and a washer and dryer that operate on a [INAUDIBLE] cycle.

That, of course, is what the NeptuneTL is designed to provide in a top loading format that our research indicates the majority of consumers prefer. This product will reach the market late this year, and is the first of our major laundry introductions. We also introduced several new lines of product that put us into all new markets. Our Jenn-Air line of stand mixers and blenders which offer outstanding performance and style, will be in the market in the third quarter, as well as our line of Jade Luxury segment products. The Jade brand is targeted at badge value consumers, and is positioned above the Jenn-Air premium brand.

This includes true commercial-grade stainless steel ranges, built-in stainless steel interior refrigerators, and matching dishwashers. We also unveiled our complete line of new cooking platform products, including new cooktops, new wall ovens and all-new freestanding ranges. The built-in products will be in the market this quarter, and the freestanding ranges will enter the market in the third quarter. Product innovation also continues at our vending machine business. Dixie-Narco is adding a smaller version of the [INAUDIBLE] Max vendor to its very popular line of glass front units. This will allow vending customers to place units in new locations that could not accommodate the larger glass-front products.

I'm confident that these products will grow our revenues in a changing market and in the face of new, tough competition. I also know that we must deliver better value to our consumers, and in this market environment, hedge our expected growth. That means we must aggressively reduce cost. Our cost management efforts have always been a top priority. Over the last 18 months, we have introduced many aggressive cost reduction initiatives in strategic sourcing with our supply base, with lean sigma as a quality in cost methodology, by outsourcing and with Mexican component production.

In addition, during last year's -- last quarter's conference call, I mentioned that we initiated additional cost-reduction efforts by forming 11 employee teams, each focused on such areas as logistics, benefit costs, recurring third-party expenses as well as areas of opportunity. These teams have been working on this initiative with a target to bring an additional 2003 cost savings of more than $25 million to the corporation over and above our planned cost reductions. Given the environment, we are intensifying our cost management efforts with restructuring program that will bring in cost savings higher than the targeted original $25 million through head count reductions.

Restructuring actions are designed to reduce costs, but the changes in this case will also bring us closer to our customers and improve speed of execution. We've introduced three metrics to guide our business units and functional areas in reviewing their organizations. These include increasing revenue per employee, decreasing organizational layers from top to bottom, and increasing management's span of control; thus improving our speed to market, our focus, and increasing accountability within our organization. Each business unit and functional area have used these metrics to review and target changes.

In the second quarter, we will take action to reduce our head count by about 500 salaried jobs, or about 8% of the total salaried positions across the corporation. These salaried head count reductions are expected to reduce costs by $20 million over the balance of 2003, or nearly $40 million on an annualized basis. Again, this is in addition to the other team-based targets which will generate about $20 million from other cost management initiatives. We expect to take a charge of about $20 million in the second quarter in connection with the salaried work force reduction.

In all, with our restructuring and cost management initiatives, then, Maytag plans to reduce expenses this year by about total of $40 million over and above those cost reduction initiatives that were in our business plan when we entered the year. We understand that this is a decision that disrupts people's lives. However, given our lack of growth, we must become more efficient and do more with less. Looking ahead, we believe industry sales growth will continue to be disappointing, with modest gains forecast for the remaining quarters of this year.

So with one quarter behind us, we are revising our full-year outlook for core five major appliances to be up slightly or flat, down from our previous expectation of 2 to 3% growth. We had expected the floor care industry to grow this year at about 3 to 3 1/2%, with improvement beginning in the first quarter, a traditionally strong quarter for the industry.

As we have discussed, that did not happen and we are now revising our full-year outlook for floor care to be flat to up 1%, which reflects a reduced unit growth rate and an actual contraction in retail and wholesale dollars. For the full year, our current outlook is to increase revenues modestly for Maytag and still outgrow our industry. Given the current outlook, we expect full year 2003 reported earnings to be in the range of $1.80 to $1.90 a share, which includes pretax special charges of $60 million, or 50 cents a share for the Gailsberg closing and salaried work force restructuring.

Our previous guidance excluded the restructuring charges. We also will continue to generate positive cash flow and further strengthen the company's financial position by paying down debt and funding our pension plan. Now, I'll ask Steve to provide more information on our comparative year-over-year P&L performance, and our balance sheet and cash flow performance. Steve?

Steven Wood - *Maytag Corporation - CFO, Executive Vice President*

Thank you, Ralph. And good morning, everyone. With the assessment of the business that Ralph has just shared with you, let me provide some additional perspective on our performance as reflected in the financial statements accompanying our press release. While sales declined 3.5% as Ralph previously discussed, our gross profit declined by nearly 23%, resulting in a gross profit percentage for the quarter of 17.6% compared to 22% in the same quarter in the prior year. This four-plus point decline in gross profit percentage translated to approximately $50 million on the lower sales volume.

We had visibility to certain elements which are part of the year-over-year decline, including $12 million associated with raw material cost increases, including $8 million for steel, which we were not able to offset with other procurement initiatives. Pension and post retirement medical costs were approximately $8 million. There were two other elements associated with this decline in gross profit that were not fully anticipated at the start of the quarter, including approximately $15 million attributable to lower pricing and weaker mix of floor-care products, and as noted in the press release, we incurred approximately $4 million of costs involving product rework. Lower SG&A expenses partially offset the decline in gross profit.

The reduction in SG&A is as a percent of sales from 12.9% in the same quarter of the prior year to 10.8% in the current quarter was a reduction in expense of approximately $30 million. As Ralph noted, approximately $12 million of this year over year reduction was associated with the planned timing of national advertising spending to match our scheduled product launches. Approximately $5 million is associated with lower incentive compensation expense driven by the significantly reduced outlook for the current year. The remainders associated with the overall curtailment in G&A expenditure levels, which along with the incentive compensation, also accounts for the lower corporate expense in our segment reporting.

Interest expense declined significantly, due to lower borrowing levels and lower interest rates. This decline in interest expense is even greater when you consider the financing costs reflected in minority interest in the prior year, which was refinanced with regular debt. The loss in other net in the current quarter was primarily attributable to foreign currency losses-related to the strengthening of the Canadian dollar and our hedged positions. The effective tax rate remained unchanged from last year at 34%.

FINAL TRANSCRIPT

As noted in our press release, the resulting earnings per share were 44 cents. This includes the special charges negotiated with the Gailsburg refrigeration plant closing, which consisted primarily of accelerated depreciation and amounted to $9.4 million or 8 cents per share. Let's now take a few minutes to discuss the balance sheet and cash flow performance for the first quarter.

Beginning with the balance sheet and specifically our working capital levels, accounts receivable were down $46 million from March 2002, due to lower days outstanding and lower sales during the first quarter. Compared with year-end, accounts receivable are up $37 million, due to higher seasonal sales in March compared to December. Inventories were flat with the prior year first quarter and up your the year-end to support the upcoming refrigeration season.

In this environment, we will continue to focus on managing our inventory levels. Accounts payable were up $33 million from the prior year, due to improved terms management. Accounts payable were actually slightly lower than year-end level, due to lower capital spending in the quarter. Overall, our working capital efficiency has improved from the prior year, and we have and will continue to heighten our focus on asset utilization in this environment. Looking at our enclose performance, our first quarter cash flow from operations was $88 million compared to approximately $48 million in the prior year.

This difference is primarily attributable to $30 million of pension contributions in the prior year first quarter. We still plan to contribute $135 million to the pension plan during 2003, most of which is expected to occur in the third quarter. Capital expenditures were $37 million in the first quarter, compared to $50 million in the prior year.

As we look ahead, our forecast for 2003 capital expenditures remains $240 million, compared to annual depreciation forecasted to be approximately 160 million to $170 million. The significant level of capital expenditures is to fund new product plans, some of which were previously referenced.

Total debt decreased $36 million during the first quarter, and our total financing obligations are down $165 million from March 2002. And in terms of key debt coverage ratios, our interest coverage ratio was 5.6 times in the first quarter, excluding the Gailsburg related charges or 4.9 times on an as-reported basis. As of the end of March, our debt to trailing 12 month EBITDA was 1.9 times, down from 2.5 times for the same period of the prior year, excluding special items in both measurement periods.

On an as-reported basis our debt to trailing 12-month EBITDA was 2.2 times as of the end of the March, down from 2.6 times for the same period of the prior year. As we have told you before, in addition to using the strong cash flows generated by the business for reinvestment, we are committed to improving the funded position of our pension plan and reducing debt levels. In addition to our pension funding target, our plans remain to reduce debt by $100 million during 2003. With this overview of the quarterly financial statements and Ralph's previous review of our business performance, we will now be glad to respond to any questions you might have. Operator?

Operator

Thank you. Ladies and gentlemen, if you would like to register a question, please press the 1 followed by the 4 on your telephone. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw your registration, please press 1 followed by 3. If you are using a speakerphone, please lift up your hand set before entering your request. One moment, please, for the first question. The first question will come from the line of Nicole Parent with Bank of America Securities.

QUESTIONS AND ANSWERS

Nicole Parent - *Bank of America Securities - Analyst*

Good morning, guys.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Hi, Nicole.

Nicole Parent - *Bank of America Securities - Analyst*

I was wondering if you could comment a little bit on new cost production plan, how much was that is focused on Hoover? How long do you think it's going to take to fix Hoover? I think the new product introduction that you're rolling out in the second quarter doesn't really hit the stores until the last month of the quarter, and then I guess lastly, just with the new intensified restructuring program and the new metrics, could

you comment on Hoover relative, you know, in terms of revenue per employee, the organizational structure there, what you're going from and what you plan to go to?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

I think you'd like us to explain Hoover a little better, Nicole.

Nicole Parent - *Bank of America Securities - Analyst*

I think that's fair, Ralph.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yeah. Hoover is a, you know, we said it's about a billion dollar company. It is above-average profitability for us. The name is really golden in the industry and they've had a very consistent record of performance, let me say that.

At the same time, Hoover, if you looked at some of those metrics that I talked about, does have a fairly high staffing level, in terms of revenue for employee. I'm not going to share that for competitive, but it is an unfavorable ratio compared to metrics, we've looked at both internally and externally. And if you look at the cost reduction initiatives, I can tell thought cost reduction in total will fall disproportionately on Hoover, because that's the business that needs to most aggressively change its cost position.

Nicole Parent - *Bank of America Securities - Analyst*

And I guess with respect to timing and how this plays out, it's probably not a quick fix. And I guess with respect to the price-point issue, as you look at sales, you know, your expectations for the second quarter and kind of timing of when the newer lower price point products hit, you know, how does that impact kind of over the next -- I mean, could Q2 be as bad as Q1?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

What I'd say is that the trend toward lower price points, particularly below $79 at mass retail, has been ongoing for sometime. And we anticipated that that would continue at about the rate its continued, and that would not have been a problem. It accelerated dramatically in Q1 and worse, the sale of our higher margin product declined substantially. In other words, typically when you get a lot of foot steps in mass retail, although lots of low-end product is sold, certain proportion of those people still will go by the 129, 179, $199 vacuum cleaners. That did not happen in Q1.

What we've elected to do, and what I said in the script, was to assume that those trends were not going to reverse themselves but were permanent, so we have taken down our industry assumptions and mix assumptions and said this is the reality that we have to live with. What we have to do is compete at those lower price points and generate our margin. And that we cannot assume that it will reverse to a more normalized level. That's what our forecast entails. And I would say that when you talk about a longer or shorter term fix, we had been aware of these trends and had been working at doing the kinds of things that I alluded to to mitigate them, but we were at least a quarter late.

I think some of these new products will kick in. We don't want to count too much on them because they are unproven. The Floor Mate was an outstanding success for us, but -- and some of these other ones might be equally good, but it's too soon to say that at this point in type. So what we're assuming is that for the balance of this year, the Hoover performance has declined to levels far below where they have been historically.

Nicole Parent - *Bank of America Securities - Analyst*

Okay. Thank you. And I guess lastly, and then I'll be quiet, could you just talk about, do you have any concern about the migration to the lower-precise points at Hoover carrying over to other core 5 appliance categories? and how do you think about that?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, we worry about that but the truth is, I think that there's quite a bit of innovation in major appliances, which is [INAUDIBLE] that. Again, the floor care business is a take-with business. If the product doesn't sell itself at mass retail when the person looks at the box and the display, they make a decision based on what they see visually. But our major appliances fortunately are a more considered purchase. People go out and do research. They read magazines, look on the net, they go to a store, talk to sales people.

So the opportunity to sell the value that's in the product, either from the brand or from the features, or the performance, is much higher. In fact, if you looked at what happened to us in major appliances for the first quarter, we did not see any significant deterioration. We had, because of the success of our admiral brand, our top third price point charge which we shared will be down a little bit in laundry and down marginally in dish but up in refrigeration and up in cooking. So we are not seeing any definitive trends at this point in major appliances.

Nicole Parent - *Bank of America Securities - Analyst*

Great. Thank you.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

You're welcome.

Operator

The next question will come from the line of Michael Regan with Credit Suisse First Boston.

Alyssa Kaufman - *Credit Suisse First Boston - Analyst*

This is Elisa Kauffman standing in for Michael Regan. I had a quick question on Jade for the fourth quarter, you had performance issues there. I was underring if you could update us a little bit and how much is being offset by your coin business?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yes, we did have some issues in the first quarter, transitional issues relative to Jade, I think they were contained to the fourth quarter. This is a business, though, this is in a bit of a turned around so its performance is not as strong as the vending business in our commercial segment. It does depress the overall segment results. But essentially, those turnaround issues are behind us.

Alyssa Kaufman - *Credit Suisse First Boston - Analyst*

Okay. And can you update us on pension? I'm sorry I was off the line for a minute, I didn't hear whether or not you made a contribution.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

We did not make a contribution in the current quarter. We do plan still to contribute $135 million for the year and that will primarily occur in the third quarter.

Alyssa Kaufman - *Credit Suisse First Boston - Analyst*

Thank you.

Operator

The next question comes from the line of Eric Bosshard with Midwest Research.

Please proceed with your question.

Eric Bosshard - *Midwest Research - Analyst*

Good morning. Two questions for you: First of all in terms of quantifying the shortfall, you've given us some good guidance, but if you had to give us an idea of what percentage is a floor care issue and what percentage is a major appliance issue, could you give us some guidance on that?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yes, we said more than the majority, and that's about as far as we're going to go. It was more than half problem in the home appliance segment.

Eric Bosshard - *Midwest Research - Analyst*

It's that type of issue that reflects the full-year reduction of guidance as well?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

The full year guidance is two things: it's largely that, I'd say, again,, that is, by part majority, but it's also the fact that we've taken the major appliance industry assumptions down.

Eric Bosshard - *Midwest Research - Analyst*

Okay. Secondly, you commented that you thought you had gained share in major appliances this quarter. Can you talk a little bit about where, what, how, of where you believe you gained share in major appliances?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, the truth is, we were up in all product categories in major appliances. We do plan a share gain this year based upon our product rollouts and what we know is happening in the industry, or think we know is happening. But we did not gain share to the extent that we thought we should. And I would just say we're up slightly in all categories. I think all people tell stories in this so you all will have to decide about it, but we're up in appliances and floor care in spite of the problems, just not sufficiently.

Eric Bosshard - *Midwest Research - Analyst*

And then lastly, within major appliances and the share gains of the new product success, the mix experience or the profitability experience with these new products, can you characterize how that is shaking out? And obviously there's a lot of moving parts. But are you realizing better margins on the new products and the products leading to share gain or has that margin been compromised at all by what's going on in the environment?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

No, I can say with almost without exception, without exception, that the new products have higher margin.

We are able to command higher prices because of our performance premium, but every time we redesign one of these new platforms like we've now done in dish and are doing in cooking and will soon do in refrigeration and the new products in laundry, we are able to come out with a more cost-effective design. So costs go down, benefits go up, and margins expand. That happens with every introduction that we do.

Eric Bosshard - *Midwest Research - Analyst*

Okay, great. Thank you.

Operator

The next question comes from the line of Sam Darkish with Raymond James. Proceed with your question.

Samuel Darkatsh - *Raymond James - Analyst*

Good morning. A couple of quick questions, if I might, Ralph.

First off, I understand that for competitive reasons, you don't like talking about quarterly advertising expense expectations, but at what point did you have planned that you were going to spend a little bit less in the first quarter than perhaps an annualized figure would suggest? Did you know that at the time of the last conference call?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yeah. When we went back to October, November and put our plans together, and looked at what we thought the timing of our profitability would be and our cost pressures in Q1, and we looked at what was going to be required to launch our products in the second half, Sam, meaning what we thought was appropriate for the new product lineup. We said, should we spend more advertising or less during the year was the first thing, we said we're spending at about the levels we think we need to for our brand, so our full year should be about the same.

But we said we really do need to retime that or defer some of that until the second half where the products are. And I tell you, our plans even with these cost reductions, are to spend about the same amount of advertising this year as we did last year.

Samuel Darkatsh - *Raymond James - Analyst*

Second question, and this is always asked and the answer is always about a 1 or 2% difference, but POS versus manufacture shipments, what are we seeing with the retailers with respect to inventories, both with floor care and with major appliances?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Are you talking about wholesale versus retail?

Samuel Darkatsh - *Raymond James - Analyst*

Yes, sir.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yeah. I think retailers are very skittish. I tell you, I think they order nothing they aren't sure they can sell, they'd rather experience stock-outs than they would have extra inventory. I think that caution continues today. So I think people are very cautious with their ordering patterns, to be honest with you.

Samuel Darkatsh - *Raymond James - Analyst*

Two more quick questions if I might. Free cash flow still expected to be at the $100 million level for the year despite difficulties in this quarter, although you were free cash flow positive, are we looking to be even more aggressive with balance sheet items or where is the additional cash flow coming from your prior expectations?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, Sam, as you recall, last year when we developed our outlook, we had -- we used the pension plan as a bit of a flexible mechanism in terms of as we had excess cash flow, we funded the pension plan more than we anticipated.

When we started the year, we actually had a cash flow target that would allow us to reduce debt by more than $100 million, and we would have done the same thing with our pension plan. With these revised plans, we still have the flexibility and we believe we still will fund the pension plan $135 million and reduce debt by $100 million, but as you suggested, it probably will, as had in the first quarter, require a concentrated effort on working capital management.

Samuel Darkatsh - *Raymond James - Analyst*

Last question, Are we seeing -- are there any labor issues on the horizon with any of our unionized plants that we need to consider?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

No, our next labor agreement is June 2004.

Samuel Darkatsh - *Raymond James - Analyst*

Okay. Thank you.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yep.

Operator

The next question will come from the line of David McGregor with Longbow Research. Please proceed with your question.

David McGregor - *Longbow Research - Analyst*

Yes, good morning.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Good morning, David.

David McGregor - *Longbow Research - Analyst*

A few questions here. First of all on the floor care, you talked about curation and market interest for premium price point products. I guess the question is: Is there just less consumer interest in product that's sitting on the shelves and the aisles of these mass merchants or are these mass merchants taking away facings from you?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

We're not losing spew count, that's not the problem, it's really a consumer choice, standing there in the aisle trying to designed what to buy. I do think that's influenced by what is promoted in the newspaper, and typically the promotion levels were down in the first quarter, our -- excuse me, advertising was down in the first quarter, and retailers in general have moved to promoting more lower-price point product instead of higher-price point product. That certainly affects the balance of sale.

David McGregor - *Longbow Research - Analyst*

So losing those skews is an inevitability if this trend continues. Have you had any discussion with the retailers about the extent that they will provide you with any level of support for those higher price points going forward?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

I think I'll support them, because it's good for them and good for us, I think the battle will be to get our lower price skews on the floor and have equal success. The Hoover name is still far and away the best name in floor care. We've shown those slides many times to people. And so we've been hesitant to go down too low in the pricing structure, because we don't want to depreciate the brand.

David McGregor - *Longbow Research - Analyst*

Do you introduce floor care product without the Hoover name on it, some secondary brand that will allow you to participate in the lower price points without deterioration on the Hoover brand?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

We have done some specific branding experiments like that before and they have not been particularly successful.

David McGregor - *Longbow Research - Analyst*

Okay. And a couple of other quick questions, before we leave Hoover, it would be really helpful to the entire investment community, I think if you were to reconsider your reporting format and maybe start creating a little more visibility around Hoover. It's such a meaningful part of the business as you mentioned, the margins are above average for the corporation and, you know, when something like this happens, it really has a -- an impact on the overall results, my encouragement to you would be to reconsider that format.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

I understand that. To us, Hoover is a product category and that's the way we treat it, as a product category within home appliances, but I also understand your point of view on that one.

David McGregor - *Longbow Research - Analyst*

On the major appliance side, are you satisfied with your retailer mix right now, the extent of business you're doing with Sears, versus with Lowe's, versus with Home Depot, versus with everybody else? Could you just talk about, you know, what your goals are there?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, that's a loaded question. Our goal is to partner with the channel winners, those people who are growing fastest. The four you named, we are on every one of those floors and do what we think is very, very well. We are never satisfied with our percentage of the business with any of our large national retailers, as none of our competitors are. But I don't believe any of our issues in major appliances are fact that we're not getting our fair share of the business at the national accounts. That's not the issue.

David McGregor - *Longbow Research - Analyst*

I guess the concern would be that in this shoot-out between retailers for market share between the home improvement channel and mass merchants, that whoever might end up on the losing end of that fray may look to you to provide new products, some of the things that coming out of your new product introduction queue as, you know, I don't know like the term but I can't think of a better term than lost leader, some way of generating traffic on their floors. I know you're doing well at Sears right now with the Trio, but it appears to be in this price, I'll put that on the table as an example.

How do you prevent yourself from getting dragged into the retail fray with your new productivity queue?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, first of all, using Trio as an example, it's a Kenmore branded exclusive product that's very good for Sears and we are

being -- both of us are enjoying tremendous success there. That is not a low price product there, that is a very high priced refrigerator that consumers prefer. And that's the model that we try and duplicate with each of our product launches in terms of what we do.

Of course, it's a negotiation, and of course people want product uniquely to item to garner footsteps but generally, our philosophy with the Maytag brand is to sell product wherever Maytag consumers shop, and so where people would expect to see that brand, we would like to have that brand available. It's a widely distributed brand brand.

Neptune washers are on Home Depot, Lowe's and Best Buy and Sears floors, as well as all the independents. And that works. So it's a constant negotiation there, but there's no major disruptions with this new rivalry, it's just everybody putting more emphasis on major appliances, which, quite frankly, is a good thing for the industry.

David McGregor - *Longbow Research - Analyst*

Okay. Then last question that has to do with restructuring, and that's simply, are you digging in far enough here? I mean, are we going to have an ongoing sequence of restructuring charges, or is it possible you should just be taking a bigger hit now and try to provide for a bigger restructuring program now?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, I think that's a great philosophical question. Of course, we studied what the right approach was and this is what we have elected to do. We've elected to do this based upon the work that I think needs to get done in this organization, both to run the day-to-day business and to build a brighter future. So I think this is the right level.

I certainly cannot guarantee that there won't be additional cost reductions. Our staffing is based on the fact that we're going to grow our sales and grow revenues disproportionate to our cost growth. So obviously, if we do not succeed in growing our costs -- excuse me, in growing our revenues, we'll have to do something on the cost side. I still think we will grow and that will help solve the problem.

David McGregor - *Longbow Research - Analyst*

Thanks, Ralph, good luck.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

You're welcome. Thanks.

Operator

The next question is from the line of Laura Champaign with Morgan Keegan.

Laura Champine - *Morgan Keegan - Analyst*

Good morning. Can you break out for 2002 how much Hoover contributed to earnings per share?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

No.

Laura Champine - *Morgan Keegan - Analyst*

Okay. You mention that excluding Hoover in the first quarter, there was growth in all product categories in major appliances. Can you quantify the consolidated growth of major home appliances excluding Hoover?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

What I said was we gained share in all categories, Laura.

Laura Champine - *Morgan Keegan - Analyst*

So I shouldn't read into that revenue growth in all categories?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

You know, I honestly don't know whether revenue was up or down in those categories because I get a share number by units, but I don't see that. So I can't tell you, I just don't know. I would suspect it was up in all categories, but I can't tell you.

Laura Champine - *Morgan Keegan - Analyst*

Okay. Thanks.

Operator

The next question will come from the line of Frank Denue with Adage Capital. Please proceed with your question.

Frank Denew - *Adage Capital - Analyst*

Yes, just a few. Of the $60 million charge, how much of that is cash?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Of the total 60 million, let's just recap it, 40 million is Gailsburg and 20 million is the salaried work force reduction. Of the 40 million associated with Gailsburg, most of it is noncash, primarily accelerated depreciation. So I would say about 3/4 of that. And -- I would say about three-fourths of that. On the salaried, half is pension costs and half cash. So the --

---

Frank Denew - *Adage Capital - Analyst*

Hello? Hello? Are you there?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yeah, the line cut out. So let me repeat: So about 30 million of the 40 million for Gailsburg is noncash and about half of the 20 million of the salaried work force reductions is noncash. 15 million, 16 million, something like that, cash.

Frank Denew - *Adage Capital - Analyst*

Okay. And in terms of steel costs, they've actually at least on the stock market, rolled over pretty good in the first quarter. Have you been able to maybe get some relief on that end or are you stuck with a contract for the year?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, as you may recall from last year, we had a contract that actually protected us from the escalation in steel prices that occurring after the tariffs were implemented. We have a contract this year that provides for some downward potential, but there is a sharing mechanism in terms of some relief in recognition of what our steel suppliers incurred last year to honor that contract. So we will not get it all. We have a one-year agreement on steal at this point.

Frank Denew - *Adage Capital - Analyst*

All right. This is one last question. On the terms of gaining less share than expected in the first quarter, do you think any of that was related to the planned lower ad spend? Would you have been better off, you know, looking backwards maybe spending some more money or is it still the right decision?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Well, I think you can always second-guess those decisions, but given the uncertainty in the environment, I think it's very hard to think that more ad spending would have added. I just think consumer confidence was low, you know, it was not a good time to make a lot of investments in the marketplace was our assessment. Even looking backwards I was concur with that.

Frank Denew - *Adage Capital - Analyst*

Thanks.

Operator

Once again, ladies and gentlemen to register for a question, please press the 1 followed by the 4 at this time. The next question will come from the line of Nicole Parent with Bank of America Securities. Please proceed with your follow-up question. Pardon me, Nicole Parent, your line is open.

FINAL TRANSCRIPT

Nicole Parent - *Bank of America Securities - Analyst*

Great. Ralph, in the context of the industry shipments guidance that you gave us, flat to up slightly, could you talk a little bit about how you're thinking about the consumer for the balance of the year, now that the war is pretty much over and I guess just on a macro level?

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Yeah. What I would say is that we expect perhaps some recovery in consumer confidence from, you know, low levels that it's at now, I think we're beginning to see that, but given that the first quarter was weaker than we thought. If you just do the math, we'd have to have a reasonably strong second, third and fourth quarter to reach, you know, any reasonable growth.

So we have tempered those three-quarters but a lot of this is just the math of what happened in the first quarter versus what we expected, Nicole, to be honest with you. The macros really don't enable us to forecast this with a lot of accuracy. Replacement is usually the key driver. We got started with such a weak January, clearly our belief is that the year will be weaker than what we anticipated.

Nicole Parent - *Bank of America Securities - Analyst*

Thank you.

Operator

There are no further questions at this time. Please continue with your presentation or any closing remarks.

Ralph Hake - *Maytag Corporation - Chairman, CEO*

Okay. Thank you, operator. Just a few closing remarks. I do thank you for your attention today.

And while the news of the quarter was disappointing, I want to emphasize that the strategy of preferred brands and innovative products is the right one for Maytag. Our new products in cooking, laundry and refrigeration will be supportive of disproportionate growth. Right now, the [INAUDIBLE] is slowed but our portfolio of new, innovative, more cost-effective designs is growing. We will aggressively improve our cost position and our performance will also improve. We do appreciate your interest in Maytag. Thank you very much.

Operator

Ladies and gentlemen, that does conclude your conference call today, we thank you for your participation and ask that you please disconnect your lines.

FINAL TRANSCRIPT

CCBNStreetEvents

Event Transcript

MYG - Q2 2003 Maytag Earnings Conference Call

Event Date/Time: Jul. 15. 2003 / 9:30AM ET
Event Duration: 1 hr 5 min

OVERVIEW

MYG 2Q03 sales and earnings were down versus 2Q02 but in line with expectations. MYG expects to see 2H03 benefits from restructuring savings, steel cost reductions, and multiple product launches. Q&A Focus: market share, steel contracts, financial strategy.

Δ π EXHIBIT 3
Deponent HAKE
Date 12-8-06 Rptr. KK
WWW.DEPOBOOK.COM

FINAL TRANSCRIPT

MYG - Q2 2003 Maytag Earnings Conference Call

CORPORATE PARTICIPANTS

Ralph Hake
Maytag - Chairman and CEO

George Moore
Maytag - CFO and EVP

Steven Klyn
Maytag - VP and Treasurer

Roy Rumbough
Maytag - VP and Controller

CONFERENCE CALL PARTICIPANTS

Michael Regan
Credit Suisse First Boston - Analyst

Sam Darkatsh
Raymond James - Analyst

Laura Champine
Morgan Keegan - Analyst

Nicole Parent
Banc of America Securities - Analyst

David MacGregor
Longbow Research - Analyst

Jeffrey Sprague
Salomon Smith Barney - Analyst

Andrew O'Connor
Strong Capital - Analyst

Connor McLaughlin
JLS Asset Management - Analyst

PRESENTATION

Operator

Welcome to Maytag Corporation's second quarter 2003 sales and earnings conference calls. Maytag's Chairman and CEO Ralph Hake will provide financial results and share his perspective on the quarter.

During the presentation, all participants will be in a listen-only mode. Afterwards you will be invited to participate in the question-and-answer session. At that time if you have a question, you will need to press the one followed by the four on your push button phone.

As a reminder, this conference is being recorded Tuesday, July 15, 2003. Additionally you are reminded that today's call may include forward-looking statement, so please refer to the cautions that are published in Maytag's financial statements appeared news releases. A reconciliation of the differences between any nonGAAP financial measure used in this presentation to the most comparable GAAP measure can be found at Maytag's website at www.maytagcorp.com under corporate news center CEO presentations.

I would now like to turn the conference over to Ralph Hake, Chairman and CEO of Maytag. Please go ahead, sir.

Ralph Hake - *Maytag - Chairman and CEO*

Good morning, and thank you for joining us on this busy earnings announcement today. First, I would like to introduce Maytag's participants on the call today. As know from our announcement last week we have a new chief financial officer. George Moore joined the Maytag Corporation with more than two decades of business experience. Most recently as group vice president of finance of the Dan Air corporation. He will bring new dimensions to our financial leadership and be a key contributor to enhancing our operational abilities. I'm extremely pleased to have George on our team. George, could you provide a few perspectives this morning as you begin your Maytag career?

George Moore - *Maytag - CFO and EVP*

Thank you, Ralph. I'm pleased to be here and I'm looking forward to getting involved in the business. The decision to join Maytag as CFO is a good one for me and follows with the national progression in my career. The attraction I have to Maytag is very simple, this is an outstanding company with strong brands and an equally strong heritage. Another characteristic of Maytag that is appealing is the company's commitment to integrity in its financial reporting. I'm proud to begin my career with Maytag by participating in today's call. I also hope my operational background can help Maytag face many challenges inherent in today's manufacturing environment and specifically in the major appliances and floor care businesses.

With that said, I'm pleased to be on board and I look forward to working with you and getting to know each of you better. Ralph.

Ralph Hake - *Maytag - Chairman and CEO*

Thank you, George, and welcome to our fine company. We're certainly glad to have you here.

In addition to George I have with me today two very capable team members from Maytag's finance area to assist with answering your specific questions after my remarks. They are Steve Klyn, Vice President and Treasurer, who has been with Maytag for about 12 years; and Roy Rumbough, Vice President and Corporate Controller who has 14 years of service with the company.

Steve Wood has resigned as CFO and is not here with us today. He remains an employee through July to provide us with a smooth transition. Steve made a substantial contribution to Maytag's success in his 14-year career here and I certainly wish him the very best in his future endeavors.

With these introductions complete, let me begin our financial review of the second quarter. Overall Maytag's results were on target. Performance in major appliances improved and we experienced weaknesses in floor care. Market conditions continued to be challenging in the second quarter with the floor care industry facing an 8.7% decline in unit sales through the April-May timeframe, while industry core sales of major appliances were up just 1% for the quarter. Despite floor care's challenges, our overall performance was respectable and we're tracking to our full year expected performance.

Summarizing our financial performance, we reported earnings per share of 32 cents, which includes a 24 cents per share restructuring charge for our Galesburg plant closure and workforce reductions. Making more meaningful year over year comparison, you should compare 56 cents, counter-excludes the restructuring charges of the prior year's earnings per share of 86 cents. As expected, sales were down 2.5% from last year, but grew about $27 million or 2% from the first quarter, which is our normal seasonal pattern.

Operating income was adversely affected primarily as a result of the continued weakness in floor care, which I will review in a few minutes. Offsetting some of this were profit improvements in vending and international and improving performance in major appliances. In fact, sales in all businesses grew this quarter over last year, except for floor care, where sales were down about 20%.

While our gross profit as a percent of sales was up sequentially from the first quarter, year over year we saw a decline of 4 percentage points. The gross profit percentage for the quarter was 18%, compared to 22% in the same quarter last year. Our declining gross profit was a result of lower volume and pricing on floor care products and cost pressure increases, including raw material cost, pension and retiree medical expenses.

Lower SG&A expenses partially offset the decline in gross profit. We saw a reduction in SG&A as a percent of sales from 12.2% in the second quarter of last year to 11.6% this quarter. Part of the reduction was associated with the planned timing of national advertising spend to match our product launches in the second half of this year. The remaining portion was due to a reduction in general and administrative expenses and cost reduction initiatives. SG&A was 11.6% in the second quarter up from 10.8 in the first quarter due primarily to higher national advertising spent.

During the second quarter, our full year effective tax rate was reduced from 34% to 33%. Why? As you know, we began the year with projected income above $3 a share. However, as we take into account the lower earnings guidance issued in the first quarter, which we are affirming in the additional restructuring charges recorded in the second quarter, the appropriate tax rate for 2003 becomes 33%. That reflects lower cash payments for taxes as a percent of income. Basically, as taxable income is reduced, the fixed dollar tax credits become a more significant component of the tax provision calculation. Therefore reducing the effective tax rate. So in the second quarter, the effective tax rate was 31.6% based on a year to date adjustment. This improved our earnings by 2 cents a share on the quarter on a comparative basis and will improve earnings going forward.

While I will get into more detail on the balance sheet later, I would like to point out that our cash flow continues to be strong, working capital is on track and [inaudible] funding and debt reduction should also be on target.

Let's first now discuss major appliances. Overall, major appliances did well in the quarter. This is a story of continuous improvement. If you remember, the industry was down about 1.8% in the first quarter. Looking at core five industry data today, we see the appliance industry up 1% in the second quarter, primarily gaining momentum in June, which was up 6% in the week June 2002. Total industry shipments in the first quarter were 9.1 million units. In the second quarter industry shipments increased to 9.8 million units shipped.

Looking to the remainder of the year, the comparison for the back half, especially the third quarter, gets somewhat easier. We expect core five unit shipments to increase with 9.9 million units shipped in the third quarter, up about 5% and 10 million units shipped in the fourth quarter, up about 1%. If this occurs, the full year is expected then to be up about 1 1/2%.

Sales for major appliances were up year over year as was the average selling price. Mix was generally positive. We did not

gain share in the quarter. Statistics show we lost share by 2/10 of a percent both year over year and sequentially. Our product strengths, particularly in cooking and refrigeration, resulted in an increase in average selling price in the second quarter. Cooking increased in both volume and mix, and the refrigeration category also experienced positive mix. Improved momentum dish washing category drove higher volumes in that business also.

Our strength in cooking and dish categories was evident as a result of Maytag's introduction of new cook tops earlier this year, an enhancement made to our re-designed dish-washing product line in the series. We continue to do well on refrigeration as a result of our bottom freezer segment including the Kenmore elite trio.

In the substantial new products to come. We are launching not only one but two new cooking products in the third quarter, both of which are rolling off the production lines this month. The series of new cooking products manufactured for the Maytag, Amana, and Jenn-Air brands, including newly designed wall oven, and an innovative free-standing range, boasting a large and other key products and price points. This is a year of cooking at Maytag and all our cooking products are now re-designed and improved: the cost, quality, elegant styling and enhanced benefits. As I said at the end of last year, Maytag appliances will introduce new product lines in every category over an 18 month period. Now with our built-ins, freestanding ranges and cook tops in production as well as the stainless steel interior dishwashers which will come in the fourth quarter. Our revitalization of the kitchen platforms is nearly complete. Refrigeration re-design is the last step, with the first re-design appearing this year in all refrigeration products re-design completed by 2004. This product transformation has been a significant effort on our part as we continue to pursue our goal to own the kitchen with better quality products, features and cost positions.

In laundry, we are still on plan to introduce the first of our major laundry introductions. The Neptune top loading high efficiency washer, the Maytag Neptune TL we call it. The tumble clean technology is designed to provide powerful cleaning with gentle fabric care, exceptional stain remover, large capacity and high efficiency, while eliminating the wear and tear of the agitator. This product is expected to expand the high end market that Neptune started. But now with the top loading configuration, the majority, really nearly about 2/3 of consumers prefer top loading washers. This model also uses 40% less energy and 50% less water compared to traditional models. Again, as energy concerns continue to rise, Maytag's focus on making and promoting energy efficiency products is key.

Again this year Maytag appliances was named by the U.S. Environmental Protection Agency and the U.S. Department of Energy as its energy star partner of the year. This is the fourth time Maytag has won that distinction.

The Neptune TL is the first of several major product laundry launches in the premium laundry category that will occur over the next months. The launch of the second all-new product is expected to occur yet this fall. Industry trends continue in the second quarter much like the first. Growth continues at both the top and bottom end of the market. We are focused on the top 1/3 of appliance price points and have the brands to succeed at the high end with Maytag, Jenn-Air, and Amana. We will continue to emphasize the high end where we obtain more revenue and margin per unit.

Our value brands, however, positioned below our premium brands include Admiral, Performa and Magic Chef are now positioned for growth with key channel partners. In April we announced the last phase of production strategy in which Maytag entered into an agreement with DAIWOO to manufacture Maytag unique top freezer refrigerators. Production for a portion of the top freezer line should begin in November and will be introduced yet this year.

Maytag adds value in many ways. Our brands, our distribution, our logistic system, our engineering design and tests all add value to our products. In many cases, our manufacturing also adds value. But when it does not, we will source product from selected partners who would agree to provide Maytag exclusive product. This strategy will provide more growth and less investment and broaden our line of products that we sell, distribute, and service. You will see more of this coming over the next 12 months.

We're also on plan to move production of the newly designed wide by-side refrigerators from Galesburg to our Amana, Iowa plant by the first quarter of next year. We have started construction of our new refrigeration plant at the Reynosa, Mexico site. As we said in our original announcement last October, we expect the first phase of workforce reductions at Galesburg this fall. As you may recall, the changes we will be making in refrigeration enable us to more profitably produce product with cost savings of at least $35 million annually when fully implemented.

As I have mentioned, the innovative product launches we have planned for later this year is expected to trigger more investment in national, television and radio advertising beginning in August. This is expected to increase our advertising spend in the second half by about $20 million. Disproportionately so in the third quarter.

The update on floor care, unfortunately is not as positive. In the first quarter we reported the floor care industry sales were down 7%. We have seen no improvement. In fact, weakness in the industry continues into the second quarter. In May, industry sales declined nearly 11%. So far this quarter, including April and may, industry is down 8.7% and year to date the industry is down 7.8%.

The floor care environment is certainly a challenging one, and this negative environment has impacted our floor care business. But our price and volume have deteriorated to a greater extent than the industry, with our floor care sales off about 20% from last year.

Here is how the deterioration began. Low price point sales increase, that is product below the $79 price point. Sales of higher end products fell disproportionately. This is an area where Hoover has been focused, and the reduction in both volume and price plus floor care profits to fall sharply and continue to do so in the second quarter. While the why is important, it is also important to note that we understand the problem, since we have talked last there have been some significant changes in our floor care business. Not only do we have a new leadership team but we have also taken immediate actions to contain cost and have many wheels in motion to improve future performance.

Let me talk about a few of these actions. First we appointed a new business unit president, Tom Briatico, a proven leader who is a change-oriented executive. Second, we have formed an aggressive new leadership team that includes a mix of experienced floor care executives and new blood from other Maytag business units. Third, we've developed a new structure for the diversified products business that is really a separate business now within floor care. This will include a multitude of new products, but so far includes our new air purifier, a new outdoor cleaning product and a Hoover service initiative. The purpose of this is to diversify floor care's revenue stream out of upright vacuum cleaners. Fourth, we implemented a rapid and aggressive attack on the floor care cost structure targeted at improving margins at lower price points and dramatically reducing our break even cost. I will discuss head count reductions momentarily.

Last we expect to launch several new low end floor care products yet this year.

This quarter, floor care introduced a new $99 fold away bagless upright and we have seen good retail customer acceptance of this product. One key feature of this modestly priced unit is no consumer assembly, a simple but valuable consumer benefit not available at lower price points. Several other below $99 products are planned for the last half of the year and first half of 2004, including a new lightweight bagless upright targeted below $70. This low price unit will be manufactured in China.

These products are designed to improve our unit sales and volumes and better leverage our fixed cost structure. Though we have not seen June industry numbers, the floor care industry is expected to grow modestly in the second half and be down about 5% for the year. The competition is fierce as most products are now sourced out of Asia, but these cost and product adjustments are already reflected in industry pricing.

We are late to this sourcing strategy at the low end but will rapidly catch up. Floor care recovery will not contribute to improve 2003. We do expect positive trends and financial improvements in 2004. The good news is that we have made our adjustments, set our plan in place, and now we need to deliver improvements.

Our vending business Dixie-Narco continues to be a bright spot within the company. We predicted the vending business is going to be down about 10 - 15% from last year. We continue to see that trend occurring at the end of the second quarter, yet we observed year over year improvement for our vending business unit of sales of glass front vending machines and currency systems remain strong. In addition this quarter our vending refurbishment business expanded, as they relocated into a larger facility and expanded to all makes and models of beverage vending machines, including glass coolers used in convenience and grocery stores.

Product innovation and diversion indication are top priorities for the Dixie-Narco growth model. They launched a smaller version of the Bosemax [ph] vendor this quarter. This unit should be in full production during the second half of the year. It allows vending customers to place new units in new locations that could not accommodate the larger glass front products.

This diversification approach is designed to keep positive growth in a cyclical industry where unit shipments are trending downward. Despite the fact that competition is entering the marketplace at a faster pace this year, Dixie-Narco should continue to grow through innovation.

The balance of this segment is represented by Jade and we're launching a revitalized jade brand, which is positioned above the premium Jenn-Air line. It includes true commercial grade ranges, such as those used in white table tablecloth restaurants. Also built in stainless steel interior refrigerators and matching dishwashers. During the quarter,Jade launched its new products in the midwest. The goal is to take Jade's 30 years history of producing top quality high end commercial appliances used by famous chefs around the world and bring that same quality and innovation into people's homes.

In small appliances the Maytag cordless iron is presently being sold directly through Maytag stores, high end department stores and catalogs. We expect to expand distribution even further in the fourth quarter.

The sleek and elegant Jenn-Air band mixer and blender are currently in production for September, and retail launch, and we will begin to take pre-sale orders via the Internet this month. Additional products in this line are planned for 2004.

Our small appliances group also plans to launch a totally new product under the Maytag brand that blends vending design and home use. It is called the skybox. The first ever refrigerated vending machine ideal for home entertainment. Customers can stock it with cans or bottles or both, which are individually dispensed. This is a guy thing kind of product with a special sports branding approach, and it's expected to be on the market in November.

As far as cost initiatives across the corporation, we're on target and have completed the majority of our restructuring across the company. In April I reported that we planned to reduce our salaried workforce by approximately 500 jobs. During the second quarter, 510 jobs, or about 8% were eliminated through all of our businesses with major reductions in floor care and major appliances. The projected savings for the year are expected to be approximately $20 million. And going forward on an annualized basis, savings of about $40 million dollars.

While steel prices increased substantially for us this year we're continuing to be proactive in working with our steel suppliers to offset a portion of our steel cost increases. We're doing this through rigorous cost reduction efforts that includes stainless steel pricing reductions, leveraging second tier supply based spend, obtaining supply based cost efficiency improvements and looking at alternative specifications, and grades of steel. Beginning in August, when these improvements are in place, we are expecting to reduce our steel cost by $8 million for 2003.

Replacing the full year, previously expected, $30 million increases with only about a $22 million year over year increase.

In addition, other news for the quarter include an announcement that we signed a tentative agreement to sell our holdings of RSD Maytag joint venture in China. During the fourth quarter of 2001, Maytag committed to a plan to dispose of its interest in the venture. The business was classified as a discontinued operation during that quarter. This sale is not expected to have a material impact on your financial results, and we anticipate closure of the deal by year end.

Let's now take a few minutes to discuss the balance sheet and cash flow performance for the second quarter. Beginning with the balance sheet, and specifically our working capital levels, accounts receivable are higher than prior year levels driven by strong June sales. Compared with year end, accounts receivable are up $80 million due to higher seasonal sales in June compared to December.

Inventories, however, are down about $20 million from prior year second quarter, but are up from year end to support the anticipated seasonally higher sales in the third quarter.

In addition, several of our manufacturing locations still have summer shutdowns which require inventory builds. Thus inventory levels will decrease during the second half. While this should have a positive impact on second half cash flow the lower burden assumption will have the normal negative impact on profitability. Accounts payable were up approximately $40 million from prior year due to continued focus on terms management. So in summary, working capital levels are down from June 2002, as higher accounts receivable are more than offset by lower inventories and higher accounts payable.

Looking at our cash flow performance, our first half cash flow from operations was $101 million compared to approximately $143 million in the prior year. This was the result of the higher working capital associated with the strong June sales. During the second quarter, we made $65 million pension contributions. The remaining 2003 contribution of $70 million, or a total of $135 million in 2003 are expected to occur in the third quarter.

Capital expenditures were $86 million in the first half compared to $99 million in the prior year. As we look ahead, we are now reducing our forecast to spend from $240 million to $220 million, largely as a result of the timing of the natural cash flows. Even so, our capital expenditure levels support our new product reduction plans which remain on schedule. Total debt is down $61 million in June of 2002, and approximately flat with year

end levels, despite the pension funding and working capital needs. As we have decreased our seasonal working capital requirements, we expect to achieve debt reduction of $100 million in 2003, just as we targeted.

During the quarter we issued $200 million of 12-year notes at 5% interest. This long-term debt was used to finance current year debt maturities.

Overall I am pleased with where we find Maytag at this time. Though our financial performance is below where I had expected and hoped for the start of the year, why am I pleased? First, our reduced earnings this year are the result of unusual acceleration with steel and benefits, especially pension and retiree medical. In each case, however, we are aggressively reducing these costs. So far, that includes our cash balance plan, increased medical co-payments, reduced steel costs and reduced people costs. Of course there is hard work ahead in this regard, but we are tracking well. Second, and more fundamentally, we are more than halfway through of our aggressive wave of product renewal, with most of the work, the risk, the capital, and the expense behind us and nearly all of the benefits yet to come. Also beginning with the Amana acquisition, we had to dramatically re-position Amana in our value brands by channel to protect dealer profitability and assure future growth. That, too, is nearly behind us. Last, we are taking steps to dramatically improve our relative cost and quality position.

On the negative side, floor care decline was certainly a surprise, and unfortunately there's no quick fix, but we have responded aggressively, and from products inside and outside floor care, as well as cost reductions will positively affect this business, just not fast enough from my standpoint.

Of course, there will be new challenges, and unfortunately market and competitive surprises. But on the fundamentals we are making steady and rapid progress.

So we enter the second half expecting steady, if not dramatic, improvement and look forward to a prosperous 2004. Given our industry outlook we're expecting full year 2003 reported earnings to be in the range of $1.80 to $1.90 per share which clues pre-tax restructuring charges of $60 million or 50 cents a share for the Galesburg closing and salaried workforce reductions. Because of our expected timing of advertising expenditures and new product launches, we expect third quarter earnings much like our second quarter and a somewhat stronger fourth quarter.

That concludes my remarks, and I will now be pleased to answer your questions. Operator?

QUESTIONS AND ANSWERS

Operator

Yes, thank you. Ladies and gentlemen, if you would like to register a question, please press the one followed by the four on your telephone. You will hear a three-tone prompt to acknowledge your request. If your question has been answered and you would like to withdraw, press one followed by three. If you're using a speakerphone, please pick up your handset before entering your question. One moment for the first question. The first question from Michael Regan with Credit Suisse First Boston.

Michael Regan - *Credit Suisse First Boston - Analyst*

Ralph, I was wondering if you could walk through how you can get 380 basis point decline in margins over year or even the 40 basis point margin decline sequentially and importantly break it into pieces as higher raw material costs of steel and what the delta in floor care did and what the delta in major appliances did.

Ralph Hake - *Maytag - Chairman and CEO*

The vast majority, the vast majority, about 2/3 is really floor care impact, and the rest of it is cost increases. There's some other things going back and forth like mix, but basically it's 2/3 floor care and a little less than 1/3 other.

Michael Regan - *Credit Suisse First Boston - Analyst*

So major appliances on its own both sequentially and year over year had, what, flat margin, higher margin?

Ralph Hake - *Maytag - Chairman and CEO*

The margins were down slightly.

Michael Regan - *Credit Suisse First Boston - Analyst*

Okay. And steel costs have come down dramatically in the past six months, certainly much more than you've implied by the reduction of $30 million increase being now reduced to a $22 million increase. Is that just because of how you've locked in contracts or can you give us — shed some more light on that?

Ralph Hake - *Maytag - Chairman and CEO*

Yeah, that is exactly what you suggest, a contractual issue. Our steel contract expired December of last year, and we put in place a new one-year agreement. That agreement had agreed upon price with brackets, and if steel prices fall outside of those brackets either way up or down, we would share some of that benefit. Because of that contract and because of some agreements that we had with our steel providers, we worked very, very hard at finding ways to reduce steel pricing, and the $8 million improvement over our steel forecast is what we anticipate for the balance of the year. But we are locked into that contract, to answer your question. We will be re-negotiating our contract obviously at the end of this year for the year 2004.

Michael Regan - *Credit Suisse First Boston - Analyst*

Okay. Thank you.

Ralph Hake - *Maytag - Chairman and CEO*

Yes, you're welcome.

Operator

Your next question will come from the line of Sam Darkatsh with Raymond James.

Sam Darkatsh - *Raymond James - Analyst*

Good morning, gentlemen. George, congratulations and welcome on board. Can you folks hear me?

Ralph Hake - *Maytag - Chairman and CEO*

Yes.

Sam Darkatsh - *Raymond James - Analyst*

Ralph, a couple of quick questions, if I might. You mentioned your free cash flow for the year should be pretty much in line with prior expectations I guess, $100 million after dividends, yet our Cap Ex will be down by $20 million. The extra $20 million delta is coming from where specifically? I might have missed it in your prepared remarks.

Ralph Hake - *Maytag - Chairman and CEO*

The truthful answer to your question is we just are not taking benefits for the $20 million. That's just a little hedge to make sure that we get there.

Sam Darkatsh - *Raymond James - Analyst*

Okay.

Ralph Hake - *Maytag - Chairman and CEO*

There's $20 million of upside in the cash flow.

Sam Darkatsh - *Raymond James - Analyst*

Okay. I got you. And the second question, I just wanted to clarify what Mike was asking. With respect to the 2/3 of the difference being floor care, 2/3 of what difference? Is it the difference year over year, meaning the 86 cents versus 56 cents, 2/3 of that impact is floor care related, or is it 2/3 of something else?

Ralph Hake - *Maytag - Chairman and CEO*

2/3 of the year over year comparison, 86 to 56.

Sam Darkatsh - *Raymond James - Analyst*

Does that mean since the difference is actually greater than the first quarter and EPSwise that the impact was felt greater and was worse in the second quarter than it was in the first quarter?

Ralph Hake - *Maytag - Chairman and CEO*

Let me just look a minute.

Sam Darkatsh - *Raymond James - Analyst*

I just want to make sure I'm clear with what the impact was. It was I believe a $15 million impact on the first quarter. I'm just trying to gauge the differential.

Ralph Hake - *Maytag - Chairman and CEO*

As you know we don't split out profit for each of these product lines. We just consider floor care a product line. Let me ask Roy to comment on that.

Roy Rumbough - *Maytag - VP and Controller*

Hoover was down more in the second quarter than the first quarter. There is a slight impact from that aspect.

Sam Darkatsh - *Raymond James - Analyst*

Okay. Two more questions, if I might, Ralph. You mentioned that you think you lost 2/10 of a point and share, which I'm guessing since you talked about every category except for laundry largely came from laundry. You recently initiated discounts on Neptune. As a result, do you believe that your market share in the third and fourth quarters will exceed -- will begin to rise over your peers.

Ralph Hake - *Maytag - Chairman and CEO*

I thought we'd gain some share in the second quarter, to be honest, Sam. But the last week of the month was something of an anomaly. Shipments were up 10%. That was the fifth good growth month in the quarter, so the quarter ended quite strongly. The last week when you have 10% growth week over week, we were up far less than that, but we were up. That's where we lost the 2/10.

Your real question is about laundry, and you're right. Laundry is where we need to gain share, and I believe we will gain share in the third quarter, based on the number of initiatives we put in place, one of them being what we've done with the Neptune, yes.

Sam Darkatsh - *Raymond James - Analyst*

Terrific. Last question if I might, then I'll defer to ours others. George it's early, you've probably just had a chance to move into your office and say hello to your staff. Any comment or initial observations with respect to the company's financial controls or financial systems or the conservatism of the assumptions that you've seen at least at first blush.

George Moore - *Maytag - CFO and EVP*

Too early to tell, other than from my meetings with everyone here, discussions with everyone who has dealt with Maytag. That was one of the major reasons of coming here and I'm very comfortable with the conservatism of the financial reporting here.

Sam Darkatsh - *Raymond James - Analyst*

Okay. Encouraging quarter, Ralph. And look forward to talking with you again. Thanks.

Ralph Hake - *Maytag - Chairman and CEO*

Okay, Sam. Thank you.

Operator

Your next question will come from the line of Laura Champine with Morgan Keegan and company. Please proceed with your question.

Laura Champine - *Morgan Keegan - Analyst*

Good morning. Could you comment further about the change in CFO? And specifically, Ralph, could you talk about any differences between your strategy and Steve Woods strategy concerning Maytag going forward?

Ralph Hake - *Maytag - Chairman and CEO*

Good morning, Laura. I don't think Steve and I had any strategic differences. I really don't focus on Steve or what he did during his tenure here. I think many people on the line know Steve. and know his capable.

I will tell you what I'm trying to do is bring to our management team greater financial operational expertise. My hope for George and my belief is that he will be much closer to the businesses, that he will be much more involved in terms of not just analyzing and reporting how we perform but in changing how we perform. In terms of building methodologies and management systems that help us drive improvements going forward. That's really George's charge here. I think his background at Dan Air which, of course, is a fine company and has performed well is one of the key strengths he will bring to help us do that.

Laura Champine - *Morgan Keegan - Analyst*

So there's no change in strategic direction relative to what it was under Steve Wood?

Ralph Hake - *Maytag - Chairman and CEO*

I don't believe there's any change in strategic direction, no.

Laura Champine - *Morgan Keegan - Analyst*

What was the size of the group win Danaher, maybe in terms of annual revenues, in which George was the VP of finance?

Steven Klyn - *Maytag - VP and Treasurer*

It was $2.9 billion.

Laura Champine - *Morgan Keegan - Analyst*

$2.9 billion.

Steven Klyn - *Maytag - VP and Treasurer*

Yes.

Laura Champine - *Morgan Keegan - Analyst*

Also, as you see the distribution channel for major home appliances shift towards Home Depot and Loew's and as we hear about Sears becoming more promotional and introducing more value priced products, what would the EPS impact be on Maytag as a whole, if, God forbid, you would see the pricing pressure that we are experiencing in the floor care segment, if that pricing pressure were to be extended to the major appliances as well?

Ralph Hake - *Maytag - Chairman and CEO*

The impact, if that happened across all of our product lines would be dramatically negative, there's no question about it. I think the run on explicit sensitivity on that wouldn't make sense. But you really asked a couple questions.

I think what -- at least my perspective on the dynamics of retail at the industry is it's generally the bigger players who are winning and small independents are losing. We focus on the public rivalry perhaps between a Sears and a Depot, and a Loew's, and a Best Buy, but the truth is at least three of the four of those people are growing pretty dramatically and it's the independent channels that suffering where people are losing share. It's possible all those big retailers will grow, some will grow faster than others. We'll read about changes in market share every quarter. I think what you're generally going to see is pressure on mostly the smaller independent retailers.

Laura Champine - *Morgan Keegan - Analyst*

Those smaller independent retailers never had pricing power. My concern is that the larger retailers that do have pricing power will exert it on the OEMs.

Ralph Hake - *Maytag - Chairman and CEO*

Sears has been our largest customer for a long time, Laura, and an even larger customer with some of our competitors. They have had tremendous pricing power. Loew's and Depot were there. But there's been other large vendors who were big growth at the time. Circuit was one, certainly when we had Heileg and Meyers, they were huge customers. The absolute leverage doesn't change to a great deal no matter who you're dealing with. There's also differences in the cost to serve. Don't forget that. It's much more cost effective to serve large customers both from a logistics standpoint and a cost of sales standpoint in terms of coverage you need than it is many, many small dealers, where you have to have a larger field organization to take care of them. There are off sets to the pricing pressures that you have with these major customers.

Laura Champine - *Morgan Keegan - Analyst*

Gotcha. Probably, correct me if I'm wrong, the biggest change that has affected Hoover is an influx of competition from Asian produced floor products. Is there anything that protects you from a similar influx of major appliances from the far east?

Ralph Hake - *Maytag - Chairman and CEO*

Let me comment, then I'll answer your question. The biggest thing that's affected Hoover is a dramatic shift to product below $79. That is, I believe, as you're alluding to a direct result of two things. One, product out of Asia, particularly China. Secondly a fact that one or a couple of retailers chose to heavily promote low-end product.

That, quite frankly, is not necessarily in the interest of the retailers as they have discovered, because their relative sales, the sales per square feet in their store go down with the lower product and their margins, just like our margins, fall dramatically. So it's kind of a road to nowhere. You gain a lot of volume. But actually even with increased volume, several of those have reduced revenues and dramatically increased margins, just like we have. Whether it happens or not remains to be seen, but it is not something that's good at retail or for the manufacturer.

Now, what is different between floor care and appliances? There are substantial differences in how the consumer views it first. Floor care tends to be a take with product, an impulse product. Not very much research. It's kind of a throwaway. A major appliance is still a product that people invest considerable time in researching, considerable time in shopping for, they consider it a major purchase which they have in their home and display in their home, where the brand and elegance of looking at the product makes a difference.

Can there be an influx from Asia of that product? Perhaps. If you look at even the Asian suppliers or Asian names that we have today, most of those suppliers are planning to bring their product out of Mexico. The reason is if you look at the labor savings versus the logistics cost, including the cost of transportation and the time that it takes in the supply chain, it's very, very hard to be competitive out of China with a major appliance.

Laura Champine - *Morgan Keegan - Analyst*

And with the new facility, what percentage of Maytag's product will be subassembled in Mexico?

Ralph Hake - *Maytag - Chairman and CEO*

Right now no major appliance product. Major appliance product is produced anywhere outside of the United States. We are 100% U.S. When we get refrigeration, refrigeration is a small part of our business, we'll be well under 10% with that move product out of Mexico.

Laura Champine - *Morgan Keegan - Analyst*

Thanks a lot.

Ralph Hake - *Maytag - Chairman and CEO*

Thank you.

Operator

Your next question will come from the line of Nicole Parent with Banc of America Securities. Please proceed with your question.

Nicole Parent - *Banc of America Securities - Analyst*

Good morning, guys. I was just wondering, Ralph, you don't have the industry data for June yet, but can you give us an indication of how Hoover did in June? Also, when was the lower price point product actually rolled out in the quarter?

Ralph Hake - *Maytag - Chairman and CEO*

I don't have industry June figures. Our best guess is the industry was flat to down slightly in June. The Hoover $99 product I alluded to did start shipping in June. We did get some shipments in June but its impact really will be third quarter.

Nicole Parent - *Banc of America Securities - Analyst*

Is there anything driving the difference between May and -- April and May versus June in terms of just industry performance?

Ralph Hake - *Maytag - Chairman and CEO*

I don't have the monthly industry before me, but from recollection May with us a pretty strong month for the industry last year. I do remember vividly what happened the last two weeks of June where the industry fell off dramatically.

Nicole Parent - *Banc of America Securities - Analyst*

Okay.

Ralph Hake - *Maytag - Chairman and CEO*

Of last year. So it's the comparisons to last year that matter.

Nicole Parent - *Banc of America Securities - Analyst*

When you talked about floor care full year industry sale shipments being up 5%, do you have a split between how much the high end will be down and how much the low end should be up?

Ralph Hake - *Maytag - Chairman and CEO*

I think what I said is floor care industry should be down 5% not up.

Nicole Parent - *Banc of America Securities - Analyst*

Sorry. I missed that.

Ralph Hake - *Maytag - Chairman and CEO*

Down 5%. I do not have that split. But our general assumption is that we'll have about the same percentage, about 40% below $79, just as has been true in the first two quarters.

Nicole Parent - *Banc of America Securities - Analyst*

Okay. And I guess back to Michael's original question on just the year over year sequential -- year over year decline in operating margin, is there any way to quantify? It's clear Hoover got worse versus the first quarter but you didn't have the impact of trio in the first quarter like you did on the second quarter. And from our channel checks it sounds like things there have been going quite well, and obviously just given the higher price point that nicely helped margins in the quarter. Is there any way to walk us through some quantification of that?

Ralph Hake - *Maytag - Chairman and CEO*

I think we've talked about Hoover versus major appliances enough. I would just remind everybody that the second quarter of last year was an outstanding quarter for the industry. We had a lot of momentum from Amana. We were cutting costs in Amana very dramatically. And of course we had two very strong quarters the first and second quarter of last year because of that surge of Amana revenue and our ability to take cost down so rapidly.

When the third and fourth quarter occurred, the third quarter in particular which was an extremely weak, quarter our ability to take cost down had reduced and that's when things began to fall off. Major appliances, my opinion, knowing a bit more than you all know is, improvement trend is pretty consistent in major appliances and they are tracking well. They did not have the nearly — extremely strong, it was not a record for them, but extremely strong performance of the second quarter of last year but they had a very good quarter.

Nicole Parent - *Banc of America Securities - Analyst*

Okay. Thank you.

Operator

Your next question comes from the line of Dave McGregger with Longbow Research. Please proceed with your question.

David MacGregor - *Longbow Research - Analyst*

Good morning. Welcome, George.

Steven Klyn - *Maytag - VP and Treasurer*

Thank you.

David MacGregor - *Longbow Research - Analyst*

First of all, on Hoover, Ralph, you had given us the year over year delta of being down 20%, I was wondering if you could give us the quarterly delta?

Ralph Hake - *Maytag - Chairman and CEO*

Who has got has? We have people looking for that. We'll get to that in a minute. Do you have another question?

David MacGregor - *Longbow Research - Analyst*

Just further on Hoover. It's pretty clear with the fold away rollout late in the quarter, sounds as though you've got a pretty good line-up coming to market in the second half, sort of the new sweet spot in the market, what happens to the high end product positionings? Do you pull back on the number of skews you have at the price points or maintain that offering and try to add incrementally at the low end of the offering.

Ralph Hake - *Maytag - Chairman and CEO*

Let me have Roy answer your question? Are you ready Roy? He's got it there.

Roy Rumbough - *Maytag - VP and Controller*

Down 22%.

Ralph Hake - *Maytag - Chairman and CEO*

22% year to date.

David MacGregor - *Longbow Research - Analyst*

Down 22% sequentially or down 22% year to date.

Roy Rumbough - *Maytag - VP and Controller*

Sequentially.

Ralph Hake - *Maytag - Chairman and CEO*

Sequentially.

David MacGregor - *Longbow Research - Analyst*

Thank you.

Ralph Hake - *Maytag - Chairman and CEO*

What happens to the mix is -- the trust is that the key mass retailers we fight for every skew we can get at the price points we want. If you went out what you'd find that Hoover continues at almost every mass retail to dominate high those end skews. There's a new high end competitor in Dyson who has got a skew or two in a couple of places. They are actually positioned above us, which is kind of an interesting thing. That's something we have experienced previously as Hoover in this country.

David MacGregor - *Longbow Research - Analyst*

Right.

Ralph Hake - *Maytag - Chairman and CEO*

But what we do is we try and increase the feature pack at each one of those to lure the customer from the low end up. What I really believe happens, David, is that the low end product has gotten so good, and we have not had an innovation enough to get people to pay the extra 50, 70, or $100 that they typically would have paid when the low end stuff looked like junk. It's not that bad now. When you have a $79 product that looks decent out there, how do you get people to spend $159 or $169 to buy a vacuum cleaner. It's up to us to create that product. What we do is typically move features and performance packages down in the range to get people to do that. That's what's been occurring.

David MacGregor - *Longbow Research - Analyst*

Now, Bissell has been very successful at the $49 price point, is it your intention to take the Hoover brand down that far or do you plan to camp out and still get paid for the brand?

Ralph Hake - *Maytag - Chairman and CEO*

We don't intend to go down that far.

David MacGregor - *Longbow Research - Analyst*

Okay. Good. Within the manufacturing side of the story, I think we're aware of the fact it's a very vertically integrated business model, there's construction of a new plant going on for your major appliance business at Reynosa, do we start to see a devertical integration of the Canton operation and do we start to see more outsourcing or really just sort of the savings related to the head count reductions and beyond that it's going to be a top line story.

Ralph Hake - *Maytag - Chairman and CEO*

If you got the North Canton paper you'd see they talked about substantial hourly layoffs there also. Both direct and indirect employees are being laid off in North Canton, unfortunately. The truth is we can't be competitive out of North Canton with many of the products we're producing there. Therefore, you will see less vertical integration and more sourcing and that will become part of what Hoover does. We did source, for instance, the floormate, the very successful floormate out of China. You'll see more and more of our low end product, just like competition out of China, you will see the high end product produced in

our southwest operations in Juarrez [ph], Mexico and El Paso, Texas.

David MacGregor - *Longbow Research - Analyst*

These seven or eight new products you have got coming to market in the second half, these new product introductions, how many of those are being produced domestically versus going to be produced offshore.

Ralph Hake - *Maytag - Chairman and CEO*

I haven't counted, but all the small appliance stuff and the new skybox is offshore. I think every one of the Hoover products, except the foldaway is offshore. So in small appliances and Hoover, I'd say every single one that I've mentioned. In major appliances, of course the only thing we're producing in Mexico is going to be refrigeration.

David MacGregor - *Longbow Research - Analyst*

Just to conclude on Hoover, have we seen the worst of Hoover now? Is it fair to say the situation, as bad as it may be has stabilized, notwithstanding I realize it's difficult to predict where the broader market is going. But on the things you can control, have you stabilized now in terms of the drag this would represent on the consolidated numbers?

Ralph Hake - *Maytag - Chairman and CEO*

That's my belief is that we have stabilized. The real question in my mind is how long does it take us to begin to climb back up so that we begin to see year over year improvement. And also can we get back to previous levels is the next question. But first we have to get the trends going in the right direction.

David MacGregor - *Longbow Research - Analyst*

The incremental $40 million that you are going to spend on advertising, how much of that is Hoover versus how much is major appliances?

Ralph Hake - *Maytag - Chairman and CEO*

Incremental $20 million in the second half over first half. I really don't have the split. But most of the increase is major appliances, I can tell you that.

David MacGregor - *Longbow Research - Analyst*

Okay. Just quickly, I thinking Arco, [ph] the bottling companies are starting to talk more and more about the glass front vender as being a positive influence on their business. Pepsi this quarter are talking about adding more glass front vendors, they used the word aggressively. I guess I'm just trying to get a sense of -- it sounds like there are some other things going on with refurbishment and the service offering at Dixie-Narco. Does the contribution from Dixie-Narco get a lot better over the next four quarters? Do we move the needle with Dixie-Narco or is it just sort of marginal gains.

Ralph Hake - *Maytag - Chairman and CEO*

Until we see those orders from Coke and Pepsi --

David MacGregor - *Longbow Research - Analyst*

Okay.

Ralph Hake - *Maytag - Chairman and CEO*

-- we are going to keep it where it is. But I will say and we've shown these charts there was a time when twice as many vendors were sold in this country as are currently sold. Certainly if that happens and people do get aggressively behind this program there's a great deal of upside there. We've got to see the orders first.

David MacGregor - *Longbow Research - Analyst*

Just last question has to do with sort of the brand strategy from Maytag. You've talked for quite sometime now about being focused on the top 1/3 of price points in the markets. Clearly that's the thrust of your effort. You also just talked in passing this morning about the brand strategy for Maytag Performa and Admiral brands. This quarter you granted an exclusive on the Performa to one of the home centers. I expected the channel fill based on what we have been hearing in the stores from skew points going from half a dozen skews up to 18, 20 skews per store, would have been more significant in terms of the unit volume and impact that would have had on your margin performance. Maybe you could just talk a little bit about that impact and also about sort of what your plans are for these value brands. My guess is the other home center reacts to this and

wants something of equivalent value. Do you offer them one of these other brands? How do you respond to that?

Ralph Hake - *Maytag - Chairman and CEO*

Well, we don't say things are exclusive, by the way. I think that's too strong a word. If you look at Performa at Loew's, we believe that is the right brand for the way Loew's goes to market, their customer and the mix of products they have. Now, that brand is not -- it is a value brand, I'll accept that, but it's not a low end brand, not an opening price point brand, it's really a more mid level brand positioned below Maytag, across the wide spectrum of products. You may or may not be aware that the Admiral brand is now dedicated to Home Depot. They do have a mid level brand which they are competing We think that makes sense for Home Depot. They are a company that needs more brands on the floor to attract customers and to advertise and Admiral is a very well recognized, very acceptable brand. It fits exactly the strategy that they are trying to pursue.

David MacGregor - *Longbow Research - Analyst*

Do these brands give you the unit volume to absorb fixed cost to the extent we could have a positive impact on your margins, a meaningful positive impact to your margins?

Ralph Hake - *Maytag - Chairman and CEO*

If they grow, that is exactly what happened. They have a meaningful positive impact, although the average gross margin will go down, the total earnings will go up is basically what will happen. How quickly does this happen? We hear the channel fill for Loew's is pretty much complete now and the sell through is actually pretty positive. But where do we go from here with Admiral at Home Depot and how quickly could this have an impact on your consolidated numbers? In the second half? I think it's probably going to take longer than the second half because these things always take longer to play out than you think. When you talk about channel fill, remember, in many cases these products are replacing other products that maybe had a different brand on them, sometimes ours, sometimes others. It's not all net net gain. There's always an offset to those things. We are counting on growth there. I think it will be much more impactable going into next year than it will be for the back half of this year.

David MacGregor - *Longbow Research - Analyst*

That's enough questions for me.

Operator

The next question from the line of Jeff Sprague with Smith Barney. Please proceed with your question.

Jeffrey Sprague - *Salomon Smith Barney - Analyst*

Thanks. Good morning. Ralph, you kind of discussed a little bit maybe the re-definition of the CFO role. I guess I've just got a couple of questions around that and how we might see things play out with restructuring. I guess the gist of my question is that it certainly seems fairly likely that we could see the company in kind of a multi-year period here of re-aligning its manufacturing resources and this Galesburg move probably pretty highly unlikely that's the last move of that sort. You know, Danaher is certainly well-known as a company that doesn't take restructuring charges, this sort of thing is kind of the cost of doing business. Really there's kind of two questions there or maybe three.

Do we see a more aggressive sourcing strategy, you know, how do you fund it? How do you report it, and, you know, what should we expect really looking out maybe two, three, four years as the industry continues to change.

Ralph Hake - *Maytag - Chairman and CEO*

I will just talk generally around that. I think I can answer your question, Jeff. First of all, we have no plans to shut down or eliminate any other manufacturing facilities. I have said several times quite publicly that Galesburg was an outlier in terms of its relative cost, quality, safety and delivery within our system. And because of that there was no way we could foresee fixing it. Our refrigeration business also within Maytag was our weakest business both from a share and a profitability standpoint. So we had to do a re-design.

When you have to do a major re-design of the product, you have to decide where you're going to produce it. That was an easy decision for us, including exiting the manufacturing of top line refrigerators. Most of our other products are reasonable secure. By our very strict estimates of what it takes to be a best cost producer, we're tracking down a path of best cost producing.

That doesn't mean that we may not have some other opportunities, but if we had opportunities to go to Mexico, or a low cost environment, our goal and my expectation would be the plant where the product moves from is filled up with something else, to be honest with you. That's the way we would do that, so there's not a restructuring charge involved.

Our goal is to grow enough to have all of our plants running well. That's the key. During that some plants will shrink and some plants will grow. Investments will flow to those that are most cost effective. Those that have the best quality, have the best service opportunities.

So I do not anticipate multiple plant shutdowns or restructurings here. That's not in my game plan and not what you'll see in major appliances. Within floor care I'd say there's a little more uncertainty in that regard. We'll just have to see how that plays out.

Jeffrey Sprague - *Salomon Smith Barney - Analyst*

So I guess part of this, then, you could almost argue that, you know, future growth of the company could become less capital intensive. If, you know, you continue -- if you're successful at the upper end and the upper third of the product line is running through the legacy plants, wouldn't or shouldn't a lot of that incremental product come from somewhere else and use someone else's capital instead of Maytag's?

Ralph Hake - *Maytag - Chairman and CEO*

I think particularly with regard to the kind of add-on products and you're beginning to see us do a good deal of that now, the wine cooler, the ice maker under Jenn-Air that we have, the warming drawer, and those are just small examples. What we're doing in small appliances? What we're doing in Hoover? We will source more. There is almost no doubt. In fact we'll probably at some point start sharing with you the percentage of our product, the source product, but it will increase.

What we really need to do to leverage our fixed cost base -- That will help, by the way, all the source products -- is to fill up our existing plants, though. To do that we've got to have innovative products that do give us a leg up at the high end. That's what we're trying to create with all this investment we have been making. With regard to capital intensity, if you look at the surge of capital that we've had over the last two years, I -- for sure this is the peak. We do not have enough ideas -- we have some good ideas but that many ideas to fund as we've had recently because we have completely re-designed the dish washer, the cooking products, two new laundry platforms and refrigeration and built three plants in Mexico. That's not going to be the pattern over the next three years, I guarantee you. We've had a surge of capital, the capital will fall now to a more normalized level.

Jeffrey Sprague - *Salomon Smith Barney - Analyst*

Just a couple of quick follow-ups. Could you tell us what the cash restructuring costs were in the half and what you're looking at for the year? And also reiterate a number you gave a moment ago on the call, what percent of Hoover volume is at or below the $79 price point.

Ralph Hake - *Maytag - Chairman and CEO*

Steve, why don't you talk about cash restructuring and total restructuring for a minute.

Steven Klyn - *Maytag - VP and Treasurer*

Yeah, Jeff, in the quarter, the cash restructuring was around $7 million. For the full year it will be approximately $20 million, and about the same amount in 2004.

Jeffrey Sprague - *Salomon Smith Barney - Analyst*

Okay. Great. And the price mix at Hoover?

Ralph Hake - *Maytag - Chairman and CEO*

Yeah, the price mix at Hoover is much less than the industry. I quoted about 40% below the $79 price point. In truth I do not have that information in front of me, but it is not nearly that much below the $79 price point. Just thinking about the skews we have, it might be 15% of our business, but it's not -- it might be 20 at this point, but it's not nearly where the industry balance is.

Jeffrey Sprague - *Salomon Smith Barney - Analyst*

Okay. Great. Thanks a lot.

Operator

Your next question will come from the line of Andrew O'Connor from Strong Capital. Please proceed with your question.

Andrew O'Connor - *Strong Capital - Analyst*

Good morning, Ralph, good morning George, gentlemen. Wanted to know how do you guys see Maytag's EBIT or operating margin trending in the third and fourth quarter before restructuring charge? Thanks. You know, Ralph, if my math is correct, looked like 6.8% in the second quarter unchanged from the first.

Ralph Hake - *Maytag - Chairman and CEO*

That's not too far off.

Andrew O'Connor - *Strong Capital - Analyst*

Okay.

Ralph Hake - *Maytag - Chairman and CEO*

Okay? Any other questions?

Andrew O'Connor - *Strong Capital - Analyst*

No. Ralph, I wanted to know, then, how do you see it trending in the third and fourth quarter? Thanks.

Ralph Hake - *Maytag - Chairman and CEO*

Third quarter, what you've quoted is certainly within the realm of possibility and fourth quarter will probably be up slightly.

Andrew O'Connor - *Strong Capital - Analyst*

Okay. So what would be driving that improvement in the fourth quarter.

Ralph Hake - *Maytag - Chairman and CEO*

Timing of two things, product launches -- I guess three things, product launches, plant shutdown timing and advertising spend are the three things that move between the quarters.

Andrew O'Connor - *Strong Capital - Analyst*

Okay. So if we were to dissect that, how much help would we get from the top line and how much from cost reductions?

Ralph Hake - *Maytag - Chairman and CEO*

You need to model that yourself rather than us telling us you that. Make your best assumptions.

Andrew O'Connor - *Strong Capital - Analyst*

All right, guys.

Operator

Your next question will come from the line of Connor McLaughlin with JLS Asset Management. Please proceed with your question.

Connor McLaughlin - *JLS Asset Management - Analyst*

Good morning, guys. Just curious if we continue to see a positive trend in the equity markets, just generally to the consumer, how do you think that could impact your earnings capability and kind of EPS trend going forward?

Ralph Hake - *Maytag - Chairman and CEO*

I'm not sure I understand that. Why don't you repeat it so I can think about it a minute.

Connor McLaughlin - *JLS Asset Management - Analyst*

If we just continue to see a positive momentum in the equity markets, generally speaking, kind of implying more money in people's pockets, stronger consumer, how do you think that could impact your earnings trend going forward, relative to what you're seeing today.

Ralph Hake - *Maytag - Chairman and CEO*

I think at the margin it's going to be positive. I said when we talked about year end, if we did get some additional tax relief, that's got to be good for us and good for the industry. Low interest rates are certainly good for the industry. Those seem to

be holding. But in truth, we are about a 3% growth industry, and this year, of course, looks at this current point like it's going to be something less than that. Because so much of our industry is replacement and housing, these factors do not correlate very well with any model I've seen in terms of driving significant incremental demand. I do believe that if with the extra money in people's pockets, if we get positive economic news on the unemployment front, if interest rates stay low, there's probably more upside bias in the industry because of those things but I don't think it's that dramatic to be honest with you. Thanks so much.

Operator

Once again, ladies and gentlemen, to register for a question, please press the one followed by the four at this time.

Ralph Hake - *Maytag - Chairman and CEO*

Maybe we'll take one more question if there is one.

Operator

I'm showing no additional questions at this time.

Ralph Hake - *Maytag - Chairman and CEO*

Okay. Very good, then. Let me just make some closing remarks, if I could.

First of all, I think it's important that I welcome George Moore. I think George is going to be very important to our future here as we help build and improve this company.

I think all of you know and can tell that I am excited about our new products. I'm anxious to get these in the market, and I think over the life of those products and after they are well established they can have a very positive impact on our performance. That's been our key to success and innovation, and we're now in a very heavy period of new product introduction and innovation over this next six-month period.

I do have to emphasize I think the challenges in floor care will remain. I think we're doing the right things but I do not anticipate that we'll have a recovery here in the next six months.

And I guess lastly what I need to do is thank all Maytag employees who are really doing a great job of taking care of customers, delivering, designing and building these new products. I know everybody worked hard for this quarter and I think people are doing a fine job. So with that, let me thank you for your interest in Maytag.

Operator

Ladies and gentlemen, that does conclude the conference call for today. We thank you for your participation and ask that you please disconnect your line

---